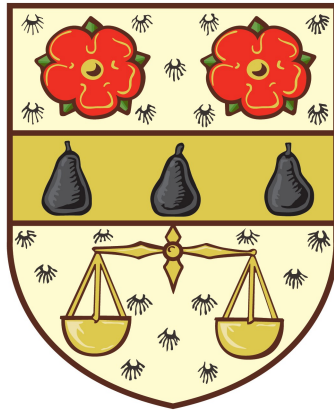


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Working Paper



**The No-Men of England:
Tyne & Wear County Council and the Failure
of the Scotland and Wales Acts 1978**

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The No-men of England: Tyne & Wear County Council and the failure of the Scotland and Wales Acts 1978.

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Abstract

The Scotland and Wales Acts 1978 failed on multiple criteria. Although devolution of powers to Scotland and Wales was a principal policy of the Labour governments in office from 1974 to 1979, it was defeated in a guillotine vote in 1977. That defeat was orchestrated by the leaders of Tyne & Wear County Council, angry that a government of their own party was apparently neglecting their region in favour of Scotland. The project was rescued in two separate bills, but a further rebel amendment inserted a minimum assent condition in the required referendums. The people of Wales rejected the devolution they were offered. The people of Scotland accepted it, but by a margin that failed to cross the threshold. The resulting vote of confidence brought down the Labour government in March 1979.

The role of Tyne & Wear County Council in killing the bills has never been fully acknowledged. The lessons of the story for current devolution policy are explored. Its lesson for relations between Scotland and the north of England are as fresh now as then. While the United Kingdom remains a single country, any policy for tax transfers must be fair to the English as well as to the people of the other three territories.

The No-men of England: Tyne & Wear County Council and the failure of the Scotland and Wales Acts 1978.

The Scotland and Wales Acts 1978: a chronology

The UK Labour government elected on a minority of seats in February 1974 and re-elected with a narrow majority in October 1974 was the first to face an existential challenge from the Scottish National Party (SNP). The SNP won 7 of the (then) 71 seats in Scotland in February and 11 in October. More threateningly to Labour, in October it won over 30% of the vote, evenly distributed across Scotland. At that level, an evenly-distributed vote gave it few seats. The Conservative Party, whose vote was more concentrated, won 16 seats on 24% of the vote. But Labour politicians knew that, should the SNP vote rise to 35% or above, the electoral system would flip abruptly from punishing the SNP to rewarding it (as happened in 2015). They therefore resurrected the recommendations of the Kilbrandon Commission¹. This had been appointed by the previous Labour government in 1969 in response to an earlier upsurge of SNP support. It reported in 1973, under the intervening Conservative government, whom Scottish nationalism did not threaten, so that nothing immediately happened. However, in the summer of 1974, the minority Labour government first realised the gravity of its position. It switched its policy on Scotland from hard-line unionist to devolutionist. Ironically, it had to impose this change on its own non-devolved Scottish executive in the “Dalintober Street coup” of summer 1974 described in Tam Dalyell’s diary².

In 1975 Labour issued a White Paper containing its proposals for Scotland and Wales³. Although based on Kilbrandon, it ignored some of Kilbrandon’s better ideas (such as that the Scottish and Welsh assemblies should be elected by proportional representation) and carried over some unexamined assumptions from Kilbrandon, which were to cause considerable trouble.

One bad assumption was that the demand for Scottish devolution was *sui generis*. Kilbrandon’s Research Paper 7 showed that the demand for devolution was no higher in Scotland than in the North region of England⁴. Grouping responses, the proportion wanting no change was North 11%; Scotland 6%. The proportion wanting more devolution was North: 73%; Scotland 69%. The proportion wanting to ‘let the region take over complete responsibility for running things in the region’ was North: 16%; Scotland 23%. This might

¹ Royal Commission on the Constitution. Report Cmnd 5460. (London, H.M.S.O., 1973).

² T. Dalyell: *Devolution: the end of Britain* (London: Cape 1977), pp. 103-8

³ *Our Changing Democracy: Devolution to Scotland and Wales* (Cmnd. 6348) (London, H.M.S.O., 1975)

⁴ Commission on the Constitution, *Research Paper 7: Devolution and other aspects of government: an attitudes Survey prepared for the Office of Population Censuses and Surveys by Social and Community Planning Research* (HMSO 1973), Table 45. The North Region comprised the present North-east plus Cumbria.

have given pause to the whole project. Instead, the main report ploughed on with unevidenced waffle:

For example, the Scotsman ... has profound admiration for the English Common Law, which has been the civilising authority in the greater part of North America, the continents of Africa and Australasia and those regions of Asia which were once part of a British Empire. Again, no Welshman ... will reject Shakespeare or Burns as compatriots (Cmnd 5460 para 434)

The memorandum of dissent by Lord Crowther-Hunt and Alan Peacock drew attention to the embarrassing numbers in Research Paper 7. They used them in support of their conclusion that ‘no case has yet been made out for treating the people of Scotland and Wales much, if any, differently from the people in different regions of England’⁵.

Against this, the Kilbrandon majority’s unevidenced statement about Scots’ love for the English Common Law was not only almost certainly wrong. It was irrelevant to Scottish politics in 1973 and subsequently. There was a component of cultural nationalism in both the SNP and Plaid Cymru. In Scotland, cultural nationalism tended to come from lawyers and ministers, the two professions explicitly protected in the Acts of Union 1706/7⁶. In Wales it tended to come from bards and Calvinist-Methodists.

However, during the Conservative government of 1970-4 the SNP had discovered that “It’s Scotland’s Oil” could serve as an all-purpose economic policy. Whatever the Scots lacked, they could have if only they controlled their own oil revenue. Whereas, as Research Paper 7 had shown, discontent with the UK government was no higher in Scotland than in the Northern Region of England, the Scots could use an argument that the Geordies could not: “It’s our oil”. This gained massive support, but at a cost: it downplayed genuine causes for grievance (such as English ignorance of the Acts of Union and the 1707 settlement) in favour of a spurious one. Scotland was already receiving more public spending per head than the poor regions of England, even without oil revenues. As it was richer per head than the North region, this was puzzling. To assign oil revenues to Scotland (small in the 1970s, but large in the mid-1980s) would only exacerbate the disparity.

Many of the numbers required to prove this were in Kilbrandon. The Cabinet, and Scottish politicians, ignored them. HM Treasury and the newly-created Tyne & Wear County Council did not. Kilbrandon found that in 1968-69, if U.K. expenditure on services suitable for devolution (which, then as now, excluded social protection) was 100, Wales received 119 and Scotland 129, compared to 114 for the Northern region of England and no more than 102 for any other English region⁷. So there was already a public spending bias in favour of Scotland and Wales which could not be explained away by their poverty. For one thing, why was expenditure per head in Scotland higher than in the North region of England, which was poorer? Kilbrandon and the 1975 White Paper proposed not to eliminate this bias but to

⁵ Commission on the Constitution, *Memorandum of Dissent*, Cmnd 5460-I, 1973, para. 46.

⁶ See esp. Lord Cooper in *MacCormick v. Lord Advocate* 1953 SC 396 at 411

⁷ Cmnd 5460, para.593 and Table 15.2.

offer Scotland and Wales assemblies whose elected members would have a vested interest in seeing that disparities would continue. The regions of England, where feelings of relative deprivation were sometimes equally acute, were offered nothing despite Research Paper 7.

The Kilbrandon public spending relativities were confirmed by a Government economic planning body, the North Regional Strategy Team, which was abolished in 1977 shortly after confirming that the Northern region was still poorer than Scotland but still benefited from less public spending per head⁸.

The UK government's policy response to these anomalies was developed by HM Treasury, where officials had been angered for decades by what they saw as Scottish special pleading⁹. Ever since Chancellor Goschen introduced formula funding in 1888, setting an assignment ratio of some tax revenue of 80:11:9 to England & Wales, Scotland, and Ireland, Scottish civil servants and politicians had always ensured that 11/80 (their 'Goschen proportion') was always to be regarded as a floor, not a ceiling, for grant assignment. The Treasury had always resisted, but had usually been overruled by Scottish ministers' appeals to their political colleagues. By the time of the 1974-9 government, Treasury officials were already devising a formula that would gradually curb Scottish overspending until it was in some sense proportionate to relative need, when it was intended to substitute a needs assessment. The key minute uncovered by Levitt is this one:

[T]he Scots and Welsh – and for that matter the Northern Irish – were indeed able to 'have it both ways' in the sense of automatically receiving extra according to the traditional formula [i.e., Goschen - IM] whenever English Departments got more and further additions for special problems peculiar to their own countries. The Scots, over a long period of time (and the Northern Irish in the early 1970s), played this game skilfully and effectively; the Welsh much less so. The result was to build up public expenditure per head on Scottish Office (and NIO) programmes to something of the order of 25% more than England; and in Wales to something like 5% more. . . . [W]e should at least stop the rot by preventing further increases in the differential¹⁰.

Shortly afterwards, Chief Secretary to the Treasury Joel Barnett wrote to the Secretary of State for Scotland proposing the formula that now bears his name. It is too complex to describe in detail here. But its thrust was to gear increases per head in non-English spending to the increases per head in English spending in the relevant year. As it operated on the margin, not the over-generous baseline, the effect should have been in the long run to bring each territory to equal spending per head with England. The Barnett Formula has not done that. It has reduced transfers in Wales and Northern Ireland to below what a needs

⁸ North Region Strategy Team, *Report* (HMSO 1977), para. 444

⁹ I. Levitt, *Treasury Control and Public Expenditure in Scotland 1885–1979: Records of Social and Economic History: New Series 54*, Oxford: The British Academy and Oxford University Press, 2014

¹⁰ P. Cousins, HM Treasury memo, 25.09.1978, in Levitt 2014: 237.

assessment might show them to require. In Scotland, it has not, for reasons outside the scope of this paper¹¹.

However, what became Barnett was a private game between HM Treasury and the territorial departments. It was unknown to policy-makers in the North of England and it was not mentioned either in the 1975 White Paper or in a later one containing proposals for the English regions which were regarded by all the metropolitan county councils as very weak¹².

The high politics of the day focused rather on what became the Scotland and Wales Acts 1978. Originally presented as a single bill, it was hailed as the Government's flagship. But few ministers showed any enthusiasm for it¹³. It was common knowledge that it was introduced not for the better government of the UK, but in order to head off nationalism in Scotland and Wales. It did not address finance or representation at all. It preserved the size of the Scottish and Welsh contingents in the Commons, and gave each of them a legislative assembly. What would these assemblies have to do (apart from lobby for more cash transfers to themselves)? Here, signs of the trench warfare between Ministers and Whitehall departments surfaced. UK-wide departments were very reluctant to cede any powers to the proposed assemblies. They were left in the Bill with a list of enumerated powers, with everything else reserved to Westminster. When the Scotland Act 1978 was finally enacted, the view of the constitutional lawyers who commented on it was that it would be quite unworkable¹⁴. And if departments were unwilling to transfer powers to Scotland and Wales, they were more unwilling to transfer power to the regions of England. This was borne out by the government document that had produced such disdain in Newcastle and Liverpool.

After the guillotine defeat, the bill was reintroduced as two separate bills, one for Scotland and one for Wales, in the hope that if the Wales Bill died in Parliament the Scotland Bill might yet pass. There were two more rounds of amendments. In one, the provisions in each Act were not to come into force unless supported by a referendum in the relevant territory. In another, the to-be-notorious 'Cunningham amendment', a 'Yes' referendum vote was not

¹¹ Analyses of Barnett are in I. McLean, *The Fiscal Crisis of the United Kingdom* (Basingstoke: Palgrave 2005), and David Hume Institute (2009) 'Memorandum' for the House of Lords Select Committee on the Barnett Formula, at <http://www.publications.parliament.uk/pa/ld200809/ldselect/ldbarnett/139/139we09.htm>, accessed 04 January 2016

¹² Office of the Lord President of the Council, *Devolution: the English Dimension* (HMSO 1976); Tyne & Wear County Council, *Is This a United Kingdom?* (Newcastle, T&WCC, 1977); Merseyside County Council, "Devolution: the prospects: report of a conference held at Liverpool 4 March 1977" (Liverpool: Merseyside CC).

¹³ Mr. Teddy Taylor (Glasgow, Cathcart) "From the long debates that we have had so far, can the right hon. Gentleman give any instance of any enthusiasm for the Government's Bill from their own Benches?" Mr. Foot "I can assure the hon. Gentleman that there have been many instances, because all the Government's proposals in the Bill have been carried in the Division Lobbies by majorities far in excess of the Government's vote. It may be a very oldfashioned view to take that the voting Lobbies are the places which count in the end, but that happens to be our parliamentary tradition dating back to the Witenagemot itself". *Hansard* 22 February 1977.

¹⁴ A. W. Bradley and D. J. Christie, *The Scotland Act 1978* Edinburgh: W. Green & Son 1979.

to trigger the implementation of the Act unless at least 40% of the electorate voted 'Yes'. The Bills were enacted as the Scotland and Wales Acts 1978. In the ensuing referenda, the Welsh voted against implementation by 79.4% to 20.6%. The Scots voted for, by 51.6% to 48.4%, but the Yes vote was only some 32% of the Scottish electorate. The Scotland Act therefore fell, and with it the Labour government, which was defeated on a vote of no confidence in March 1979, and lost the ensuing General Election. The Parliament was near the end of its legal term, and it is likely that Labour would have lost whenever in 1979 the General Election had been called. The Act was repealed later in 1979, never having been brought into operation.

The Scotland Act failed on multiple criteria. The decisive moment was the guillotine vote in 1977. That defeat was orchestrated by the leaders of Tyne & Wear County Council, angry that a government of their own party was apparently neglecting their region in favour of Scotland. Although resentment in Northern England was not the only cause of the failure of the 1978 Acts, it was a sufficient one.

The creation and abolition of metropolitan counties in England

The six metropolitan county councils (MCCs) in England were created in 1973 and abolished in 1986. They covered the main conurbations: Tyne & Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside, and the West Midlands. In each conurbation a two-tier system was created. Below the counties, metropolitan borough councils (MBCs) handled most local services including education and social services. The role of the MCCs was designed to be one of transport and strategic planning.

From start to finish, they suffered pincer movements from above and below. UK government departments were not prepared to hand over any powers or staff to local authorities, however large. They did have district offices for the delivery of services – for example, in Tyne and Wear in the 1970s there was a combined office representing the national Departments of the Environment (which then denoted land-use planning), Industry, and Transport. Their local directors had a somewhat standoffish relationship with the senior officers of the County Council and not much contact with elected members.

Several of the county councils, including Tyne & Wear, aspired to speak for their regions, but were stymied by the fact that traditional county councils covered the more rural parts of their region: in north-east England there was rural Northumberland, more industrial Durham, and yet-more industrial Cleveland which was a conurbation but not an MCC. Then there was Cumbria, whose leaders were never sure whether it belonged with the north-east (as was the case then) or in the north-west (as became the case when boundaries of the standard regions were redrawn in 1994). During the 1970s the Labour group of Northumberland County Council wished for it to become the sixth district of Tyne & Wear, but this did not get the support of the ruling Conservatives¹⁵.

¹⁵ Personal information

From below, most of the MBCs had historic county boroughs – i.e., single-tier, all-purpose authorities – at their core, whose elected members did not take kindly to the creation of a new tier of local government above them, and either ignored or tried to stifle the new authorities. In the case of Tyne & Wear, this had the consequence that the leading elected members in the first two terms – 1973-7 and 1977-81 – fell into two camps. Some came from the non-county-borough areas in the former Co. Durham that were included in the new county. Those areas had always had two-tier local government and their politicians did not share the urban barons' wish to stifle the new county at birth. The leader throughout the life of the council, Michael Campbell, represented one of these areas, namely Jarrow. The other group was a cadre of young professionals who had won the nomination to safe Labour seats in the former county boroughs, where sitting councillors overwhelmingly preferred to be elected to the successor MBC. In at least one case, a university lecturer in his 20s was selected unopposed for a monumentally safe Labour ward in Newcastle-upon-Tyne because the ward party were unaware that they had to nominate for four places rather than the existing three. Their three city councillors all ran for, and were elected to, the MBC. This sociology of politics had consequences to be described in the next section.

The role of Tyne and Wear Council in killing devolution to Scotland

Tyne & Wear County Council (TWCC) had a population of about 1.1 million. It comprised the five metropolitan districts (MDCs) of Newcastle, Gateshead, North Tyneside, South Tyneside and Sunderland. The author was an elected member from 1973 to 1979. He was elected vice-chair of the council's Economic Development Committee in 1973, and chair in 1976, in which role he served until September 1978. The main source for this section is the collection of papers, now in eight archive boxes, which he donated to Tyne & Wear Archive Service (TWAS) in the late 1980s. References are to TWAS, McLean Collection, box no. and where available folder name.

Like the other metropolitan counties, TWCC was given strategic responsibilities for planning, transport, waste disposal and some control over fire and police. The districts maintained that they could manage these matters very nicely on their own, thank you. But TWCC was able to point to some instances where this had not worked well, and to others where the new authority would have convening power that the MDCs did not. In an example of the first, the former Durham County Council and Newcastle City Council had both built motorways to supersede sections of the trunk A1 (London-Edinburgh) route through the middle of Gateshead and Newcastle. Unfortunately Durham's section ended at Scotswood Bridge, some 5 miles west of the Tyne Bridge, where Newcastle's section started. As to the second, an interurban light railway, to be known as "Tyne and Wear Metro" was proposed to take over suburban railways in the area, with new tunnels and bridges in central Newcastle and Gateshead. It would serve all five districts except Sunderland. The project stuttered and was nearly cancelled numerous times during the first five years of TWCC's

existence¹⁶ but survived. The vehicles ordered for the start of Metro, which *The Economist* grudgingly conceded might work¹⁷, are still in service and the network has been extended to Sunderland.

But with relatively few statutory duties, the metropolitan counties also had to make their own policy space. Many of them, emulating the Greater London Council, offered blanket subsidies on local public transport fares, a policy that fell to a predictable legal challenge in London¹⁸. TWCC did not. It decided instead to make a priority of promoting economic development in the county. This had several strands, including construction of small industrial units on land assembled by the county; promotion of local economic development powers through the Victorian device of a local Act (Tyne & Wear Act 1976 c.36¹⁹); and responding to unfavourable government policies.

The council had some advantages. Some of its members were well networked with national party and government figures. Thus, for instance, it could go above junior ministers' and civil servants' heads to save Metro, and persuade the parliamentary Labour Party to impose a whip on the Tyne & Wear Bill (very unusual for a private bill) to prevent its being talked out in an inquisitorial house. Its senior officers were particularly competent (no doubt partly because local government pay grades reflect the population of the authority). They regarded themselves as the intellectual superiors of national civil servants working in the region, and briefed their elected members in a way which reflected this belief²⁰. The policies described in this section were driven by a particularly effective chief executive, a well-connected and consensual leader, and two committee chairs who were at the time university lecturers in their 20s or 30s²¹. No claim is made for the superior effectiveness of university lecturers, but they had the professional skills to read government documents quickly and critically²².

¹⁶ E.g., letter, Dr J Gilbert to Coun. M. Campbell, 20.05.76 (government threatens to pull the plug); repeated references in Labour Group minutes, TWCC, 1976-8 (council goes over Gilbert's head to Sec of State to save project). McLean collection, (Tyne & Wear Archives accession no. 1608). Boxes 4091, 4096.

¹⁷ Survey, 'Arise Northumbria!' *Economist* 1 July 1978 ('The trains will have drivers, and there are strong hopes that they will actually work.'). The units are now among the oldest in passenger service in the UK and the entire fleet ordered by T & W CC is still in service. See <http://www.prnewswire.com/news-releases/wabtec-unit-awarded-contract-to-overhaul-transit-cars-for-tyne--wear-metro-in-england-96045589.html>, accessed 19.01.2016.

¹⁸ *Bromley London Borough Council -v- Greater London Council*; HL 17 Dec 1981. [1981] UKHL 7.

¹⁹ For an inside view of the passing of the Act, and evaluation of the powers it conferred, see an important article by two senior TWCC officers: P.B. Rogers & C.R. Smith, 'The local authority's role in economic development; the Tyne and Wear Act 1976', *Regional Studies* 11 (3), 1977, 153-63. DOI:10.1080/09595237700185511

²⁰ E.g., McLean collection, Box 4091. Newcastle/Gateshead Inner-City Partnership. Officers' briefing of 31.07.1978

²¹ Respectively Jim Gardner, Michael Campbell, Jim Cousins (later MP for Newcastle-upon-Tyne Central, 1987-2010) and the present author.

²² For instance the Hardman report (Cmnd 5322) on dispersing public servants from London, which managed to assume that office rents in all parts of England were the same, and on this false basis

Once the Tyne & Wear Act had conferred the requisite powers, the leadership group enhanced the council's economic development function. This brought them into sharper conflict with central government (albeit a government of the same party) because of the flagship Scotland and Wales Bill. Until 1974, the Labour Party had shown less enthusiasm than the Conservatives for devolution to Scotland. Labour held many seats in Scotland; the Conservatives few. The inevitable clamour to reduce Scottish representation at Westminster after devolution would therefore damage the Conservatives less than Labour. In the 1974-9 Labour government, the parties' positions switched, essentially because of the other side of the same coin: Labour had Scottish seats to protect and the Conservatives had fewer. As noted above, the Scottish National Party (SNP) won 11 seats in the 1974 General Election, on some 30% of the vote. Labour politicians were acutely aware that the electoral system would flip from penalising the SNP to rewarding it at something like 35% of the popular vote. In 1974 and 1975, the voting intention polls showed the SNP continuing to advance. Labour statecraft therefore required something to be done.

Accordingly the 1974 government's Scotland and Wales Bill would give both countries elected assemblies, while preserving their more-than-proportionate tally of Westminster seats and (in the case of Scotland) notably higher public spending per head than the poorer regions of England. It was this last that infuriated the leaders of TWCC. The numbers were publicly revealed by a government body working in the region, the North Regional Strategy Team. Although this was wound up in 1977, TWCC continued to collect, and resent, the relative public expenditure statistics. Another cause of grievance was that Scotland had extensive powers to promote its attractions to industry, while the northern region of England had none. It had a widely-derided body called the North of England Development Council, whose head, appointed by a previous Conservative leader of Newcastle Council, pitched his stall at the Ideal Homes Exhibition. The attendance was disappointing, with many visitors reported to be using the quiet NEDC stall as a good place to eat their sandwiches²³.

In December 1976, the government produced the document containing its devolution proposals for the English regions²⁴. Essentially, there were none. At short notice, the leader of TWCC, the chief executive, and the present author convened a conference to complain about the unduly favourable treatment of Scotland. Instead of the usual paragraph in the local papers, this attracted national attention. Under the front-page lead headline 'The No-men of England', the *Scotsman* published a full-page report under the byline of Neal Ascherson, the well-known Scottish public intellectual.

The fiery cross of English opposition to the devolution Bill is on the road at last. A one day conference at Newcastle upon Tyne yesterday ended with an agreement to call similar anti-devolution meetings elsewhere in England.

produced elaborate models showing that it was more effective to disperse government work to Southend than to Tyne & Wear. McLean collection, Box 4091. See also Frank H. Stephen (1975) *The Hardman Report: A critique*, *Regional Studies*, 9:1, 111-116, DOI: 10.1080/09595237500185091

²³ McLean Collection, Box 4096

²⁴ 'Devolution, the English Dimension' (HMSO 1976).

The conference was organised by Tyne & Wear County Council under the title “Devolution – the Case Against”....

The two themes of the meeting ... were furious hostility to the idea of a Scottish Assembly, and an almost equally strong resentment of the loss of power from the English regions to Whitehall.... As Councillor Campbell put it: “We are not against devolution from Whitehall’s central powers, but it must be based on equal treatment for the English regions, Scotland and Wales. Government policy is completely lopsided, particularly with regard to Scotland²⁵.

A leader two days later stated that the conference was ‘not a gathering of high-powered political intelligences’ and derided those who had abused the SNP²⁶. The reporter’s use of the description ‘fiery cross’, implying that the Tyneside and Merseyside rebels were some sort of Ku Klux Klan, passed without comment. However, one of the conference organisers pointed out that

English anti-devolutionists ... are entitled to publicise some home truths. Scotland gets more public money per head than any English region although on every index of deprivation except housing it is better off than Tyne and Wear or Merseyside.... This County Council believes that if the Scots want devolution, that is their business; but it is entitled to demand that devolution must be fair to the English as well²⁷.

The leaders of Merseyside and West Midlands councils promised to organise similar events in their counties; the fiery cross reached Merseyside in March 1977²⁸. But by then the Government policy was in tatters. It was defeated on a guillotine motion on 23 February 1977, in which twenty Labour MPs voted against the guillotine and a further twenty abstained. Four of the former were from the Northern Group, as were five of the latter. Other Labour rebels included Scots opponents of the Government devolution plan, including Tam Dalyell and George Cunningham (the latter an expat representing a London seat), and Labour MPs from the other depressed parts of England who had been rallied by Michael Campbell’s campaign.

The government reaction fell into two parts. One, as noted above, was to split the Scotland and Wales Bill into two bills, containing new clauses stating that they would not be implemented unless supported in a referendum vote. There was then the further backbench revolt in which George Cunningham successfully inserted his amendment to the effect that a ‘yes’ in such a referendum was to be valid only if supported by at least 40% of the electorate. TWCC played no part in this second revolt, and its leaders opposed it. But the

²⁵ *Scotsman*, 8 January 1977.

²⁶ *Scotsman*, 10 January 1977. Leader, ‘Political Fouls’

²⁷ I. McLean, letter to *The Scotsman*, sender’s copy dated 10.1.1977 in McLean collection Box 4096. The letter was published on 14 January.

²⁸ McLean collection, Box 4096

combined consequence was, as stated above, the downfall of the Labour government on a confidence vote in March 1979.

The other part of the government response consisted of trying to appease the North-east rebels, Ministers were not willing to offer what TWCC had demanded, namely a regional development body with the same powers as that in Scotland. Instead, they offered two initial concessions, one purely symbolic and the other representing the politics of the pork barrel. This first was to invite newly-installed US President Jimmy Carter to Newcastle, where he opened his speech in well-rehearsed but poorly-accented Geordie, “Ha’way the lads”²⁹. The other was to impose on the publicly-owned electricity generator, the CEBG, an order for generating sets for the Drax B power station in the Yorkshire coalfield, to be made by the struggling Newcastle firm of Reyrolle Parsons. The CEBG and Parsons’ main competitor, GEC, both made it unusually clear that they did not support this policy³⁰. Later, the government tacked on an offer of an inner-city partnership programme for Newcastle and Gateshead. Up to the end of 1978, where the main source used for this paper ends, this had achieved very little but had revealed mutual suspicion between officers of TWCC and regional civil servants³¹. The government also agreed to locate the headquarters of British Shipbuilders in the region: an empty achievement, as it turned out. In so far as there was an effective government response, it was being developed inside HM Treasury. It took the form of what became known as the Barnett Formula. This formula is still in place to govern cash transfers to Scotland, Wales, and Northern Ireland, but is not used to make transfers to the regions of England. The North of England’s grievance of 1977 remains unassuaged.

Lessons for contemporary debates

The events recorded here are substantively important. They led to the fall of the Labour Government (albeit that it would probably have fallen within a few months anyhow, as its maximum term expired in autumn 1979). More importantly, they revealed that plans for devolution must be fair to the English as well as to the Scots and Welsh. Tyne and Wear and Merseyside County Councils (the two main loci of the revolt) were solidly Labour-controlled. Why then did they set in train events that led to the fall of a Labour government? They did not intend that outcome, of course. But, representing as they did the two poorest regions of England, their leaders were angry at the behaviour of a government of their own party. As they saw it, the government was ignoring Merseyside and Tyne & Wear, whose votes were safely in the bag, to the advantage of Scotland, whose Labour votes were vulnerable to the SNP. Well-documented studies³² show that this politics of credible threat dates all the way

²⁹ Speech at Newcastle Civic Centre, 6 May 1977. The author was within earshot of the event loudspeakers. Text of speech at <http://www.presidency.ucsb.edu/ws/?pid=7472>, accessed 10.12.2015

³⁰ See, e.g., Nigel Hawkes, ‘Why Sir Arnold pulled the plug’, *Observer* 22.05.1977

³¹ McLean collection, Box 4091.

³² Levitt, *Treasury Control*; James Mitchell, *Governing Scotland: The Invention of Administrative Devolution*, (Basingstoke, MacMillan, 2003), and his *The Scottish Question*, (Oxford, Oxford University Press, 2014).

back to Goschen. In 1888, Ireland presented a credible threat to the unity of the United Kingdom. Politicians responded by throwing money, and often coercion, at Ireland. Those efforts failed in 1921. But they left behind the politics of throwing money at credible threats in Northern Ireland and Scotland. Neither the north-east nor Merseyside (nor Wales) possessed a credible threat. They did not riot. Their seats were mostly safe for Labour and hopeless for the Conservatives. Therefore, governments of both parties could ignore them without political cost.

One slow-burning consequence of these events was the development of reliable regional public expenditure statistics for all the regions of the UK. These are now contained in two main publications: *Government Expenditure and Revenue Scotland* (GERS), published annually by the Scottish Government, and *Public Expenditure: Statistical Analyses* (PESA) published annually by HM Treasury. Both series carry the kitemark *National Statistics*. This means that both are produced to standards certified by the UK Statistics Authority as immune from political interference and with adequate statistical reliability and validity³³. But in both cases politics shaped the format of the series. Ian Lang (Secretary of State for Scotland from 1990 to 1995) claims in his memoirs³⁴ that he initiated the GERS series in order to show Scots what a good deal they got from the Union. This advantage in spending per head has widely, but incorrectly, been attributed to the Barnett formula. In the long run, Barnett would equalise expenditure per head in all four territories of the UK. It is unrelated to relative need, and is based only on relative population, with a lag. Rather, the lead celebrated by Secretary of State Lang and deplored by politicians in Tyneside and Merseyside arises from the greater and more credible threat posed by Scotland than by the poor regions of England.

Since 2007, the government responsible for publishing GERS has been controlled by the SNP. Its focus has shifted to a section which calculates annually how much extra tax revenue would come to Scotland if North Sea oil and gas tax receipts were apportioned by the part of the UK Continental Shelf that the relevant field is closest to (i.e., mostly to Scotland). This calculation has underlain much of the SNP's economic case for independence ever since 1973, although less has been heard about it since the recent collapse in oil prices.

PESA is equally political, although in this case the politics is mostly internal to the Civil Service. For many years it has contained chapters on public expenditure per head in Scotland, Wales, and Northern Ireland. It makes no estimates of government revenue there – GERS does that for Scotland, but there are no official equivalents in Wales or Northern Ireland. From the early 2000s it started to publish data for the standard regions of England, in what is now called its Country and Regional analysis (CRA) chapter. However, HM Treasury had serious concerns about the quality of the regional data for England being supplied by some spending departments. Together with the local-government department

³³ UK Statistics Authority, *Code of Practice for Official Statistics* at <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>, accessed 14.12.2015

³⁴ I. Lang, *Blue Remembered Years* (London: Politico's, 2002). Cf also J. Major, *John Major: the autobiography* (London: HarperCollins 2nd ed. 2000), p. 419.

(then called Office of the Deputy Prime Minister), it therefore commissioned a review led by the present author on the quality of English regional data³⁵. This review led to a sharp improvement in the quality of English regional data in PESA, starting with the issue for 2003-4.

The consequence is that regional public expenditure numbers are now available for all to view, unlike the situation in the 1970s, when TWCC had only two single-point observations from Kilbrandon and the North Regional Strategy Team. Numerous academic papers and at least one book³⁶ have analysed the PESA and GERS numbers. All have come to the same conclusion as did TWCC in 1976-78: that public expenditure per head in the regions and nations of the UK bears little relationship to any defensible measure of relative need.

At the same time as the English revolt, HM Treasury recognised that Barnett would overshoot if left to run. It therefore conducted a needs assessment study for the three non-English parts of the UK, but not for the English regions. It seems that the Treasury plan was to allow Barnett to run until the point where spending per head in each territory had come down to the point where it reflected the territory's relative needs, whereupon the UK Government would have switched to a needs-based assessment of block grant. The change of government in 1979 aborted this project, and only a meagre report saw the light of day³⁷.

All expert analysis agrees that the Barnett Formula is hard to defend³⁸. Nevertheless, it is much loved by those in Scotland who wrongly believe that it is the source of Scotland's disproportionately high public spending per head. Successive governments took a sidelong approach to the anomaly, not being prepared to confront it directly for fear of inflaming opinion in Scotland. The Brown Labour government of 2007-10 appointed the Calman Commission, which in turn appointed an academic Independent Expert Group (of which the author was a member) to review the options for tax devolution to Scotland. This group reviewed both the Canadian and the Australian arrangements for block grant transfer from the centre to those countries' provinces/states. Both use equalisation principles. The Australians try to equalise both for the tax resources of the states and for their relative needs. The Canadians try only to equalise for resources, not for needs³⁹.

Calman recommended an arrangement embodying the essential Canadian principle of 'vacating tax points'⁴⁰ and this was adopted by the 2010-15 Coalition government in the

³⁵ I. McLean and others, *Identifying the flow of domestic and European expenditure in the English regions* (Oxford: Nuffield College and London: ODPM, 2003).

³⁶ I. McLean, *the Fiscal Crisis of the United Kingdom* (Basingstoke: Palgrave 2005).

³⁷ HM Treasury, *Needs Assessment Study – Report*. HMSO 1979

³⁸ As well as numerous academic studies summarised (to 2004) in McLean, *Fiscal Crisis*, cf two reports by Lords Select Committees: House of Lords, *Select Committee on the Barnett Formula 1st Report of Session 2008–09* HL (2008-9) HL 139; and Economic Affairs Committee, *A Fracturing Union? The Implications of financial Devolution to Scotland 1st Report of session 2015-16* HL (2015-16) 55.

³⁹ McLean, *Fiscal Crisis*, chapters 9 and 10.

⁴⁰ Sir Kenneth Calman (chair), *Serving Scotland better: Scotland and the United Kingdom in the 21st Century*. Edinburgh: Commission on Scottish Devolution, 2009.

Scotland Act 2012. The UK government would withdraw from levying ten pence in the pound of most income tax on Scottish taxpayers. The Scottish Parliament would then face the task, which it had never faced before, of deciding how much tax effort to make in order to match taxation to spending. This recommendation attempted to embody the marginal principle: that, *at the margin*, the government which controls a given public spending area should also control the tax needed to fund it. It need not control the whole tax base, only the right to make marginal changes to it.

Before the 2012 Act was fully implemented, however, another round of politics intervened. In the referendum of 2014, the Scots voted *No* by 55% to 45% to the question, 'Should Scotland be an independent state?' Immediately before the vote, the Unionist parties, fearful that they might lose unless they made a dramatic offer, united on a 'Vow' published in the *Daily Record*⁴¹. The Vow vowed to further increase the tax and spending powers of the Scottish Parliament. It also, surprisingly, stated, 'because of the continuation of the Barnett formula for resources ... we can state categorically that the final say on how much is spent on the NHS will be a matter for the Scottish Parliament.' The (very) short-term politics was clear. The 'Yes' campaign's most effective appeal to traditional Labour voters was the claim that a Yes vote would protect NHS spending in Scotland.

But both sides were talking nonsense. The tax-and-spend numbers discussed above meant that a Yes vote would lead to a severe cut in overall public spending in Scotland, or increase in tax, or both. If a Yes vote would have protected NHS spending, it could only have been at the expense of spectacular cuts in every other public service and transfer payment. On the other hand, the main architect of the Vow, ex-Prime Minister Gordon Brown, knew very well that it was not Barnett that protected relative overspend but rather the failure of Barnett to lead to convergence as designed. In this the key factor is probably that relative populations are not recalibrated frequently. Since Scotland's relative population has grown more slowly than England's throughout the Barnett era, the dynamic effect of this is to build overspending into the Scottish base for every period where the population relativity is not corrected: essentially for the entire lifetime of Barnett.

For these very short-term reasons, however, protection of Barnett was built into the mandate of the Smith Commission, set up immediately after the *No* vote. Smith recommended further devolution of tax and spending powers, but also two mysterious 'no detriment' principles that stated that neither the Scottish nor the UK government was to suffer from taxation choices made by the other⁴². The implementation of no-detriment has led to deadlock between the Scottish and UK governments. The academic consensus is that the Smith no-detriment principles are hard to implement, and if they were implemented

⁴¹ D. Clegg, 'David Cameron, Ed Miliband and Nick Clegg sign joint historic promise which guarantees more devolved powers for Scotland and protection of NHS if we vote No', *Daily Record* 16 September 2014. At <http://www.dailyrecord.co.uk/news/politics/david-cameron-ed-miliband-nick-4265992>, accessed 14.12.2015

⁴² Lord Smith of Kelvin (chair), *Report of the Smith Commission for further devolution of powers to the Scottish Parliament*, November 2014. At https://www.smith-commission.scot/wp-content/uploads/2014/11/The_Smith_Commission_Report-1.pdf, accessed 2 January 2016.

there would have been no point in devolving powers over tax and spending in Scotland in the first place. At the time of writing, the party keenest on insisting on the Smith no-detriment principles is the SNP. In a sense this is odd, as, if the 2014 referendum had gone in the way the SNP wanted, Scotland would have been exposed to the full detriment of any movements in relative income, relative taxation, and relative expenditure whenever these disfavoured Scotland. The second Smith no-detriment principle states:

(4) No detriment as a result of UK Government or Scottish Government policy decisions post-devolution

(a) Where either the UK or the Scottish Governments makes policy decisions that affect the tax receipts or expenditure of the other, the decision-making government will either reimburse the other if there is an additional cost, or receive a transfer from the other if there is a saving. There should be a shared understanding of the evidence to support any adjustments.

(b) Changes to taxes in the rest of the UK, for which responsibility in Scotland has been devolved, should only affect public spending in the rest of the UK. Changes to devolved taxes in Scotland should only affect public spending in Scotland⁴³.

Taken literally, this means that almost any policy change by either government would incur a cash transfer one way or the other. It is the entire negation of devolution, let alone of Scottish independence. All the parties in Scotland, including the SNP, signed up to the Smith no-detriment principles. But they are untenable. One consequence is that in the foreseeable future, public expenditure per head in Scotland must come closer to tax receipts per head in Scotland. This may arise either through Scottish independence after a second referendum, or from the working-out of the principles of the Scotland Act 2012 and the Scotland Bill 2016.

⁴³ Smith Report p. 26.

Conclusion

The 'Geordie revolt' of 1977 may be largely forgotten now, but the sequence of events it sparked off is with us yet. Among its many consequences were the failure of the unworkable 1978 devolution proposals, and greater transparency of relative public spending and relative tax yield statistics for the regions and nations of the UK. The unworkable Scotland Act 1978 was succeeded by the workable Scotland Act 1998, enacted after a further referendum gave strong support to a parliament with tax powers. The present Scottish Parliament was created, with substantial spending powers but only limited tax powers.

A more indirect consequence of the Geordie revolt is therefore the devolution of both tax and spending powers to the Scottish Parliament in an effort to give it fiscal responsibility. Its fiscal responsibility will be painful because spending will have to be cut or taxation increased. This would have happened even more abruptly if the people of Scotland had voted for independence. But when Scotland balances its books, either through independence or through the responsible matching of taxing and spending under the successive Scotland Acts, the grievance of Newcastle, Carlisle, and Liverpool may finally be laid to rest.