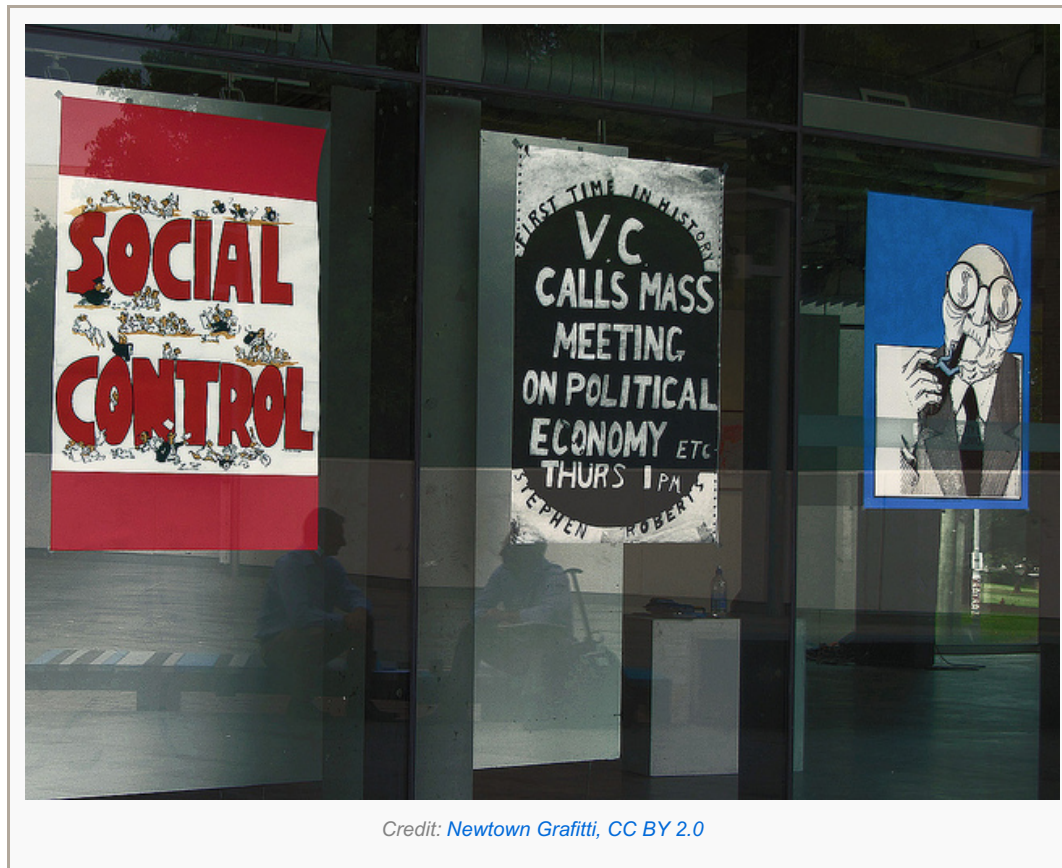


# Unless greater heed is paid to political economy, devolution could become a red herring of democratisation

By Democratic Audit UK

*Following the Scottish independence referendum, devolution for England is back of the agenda, with regional devolution being revisited as an idea. But are we wrong to equate devolution with democracy, given that most consequential powers will still be in the hands of Whitehall? **Craig Berry** argues that the inadequate attention paid to political economy risks leaving us with an under-developed view of the way the economy works, with the possible effect of leading us to misunderstand the potential democratising impact of devolution.*



Political economy as a field of study seeks to explore the real world of economic organisation, looking beyond the market metaphor and the price mechanism, to examine how power dynamics contained in social and political relations shape and constitute economic life, and vice versa. If the financial crisis and subsequent economic stagnation has taught us one thing, it is that mainstream economics alone is incapable of furthering our understanding of how the economy really works.

Unfortunately, we appear not to have learned our lesson. The shallowness of the post-referendum debate on devolution across the UK demonstrates just how little the insights of political economy now feature in our public discourse on politics. Indeed, this was evident most starkly during the run-up to the Scottish independence referendum.

This is far more than an academic problem, given that the veneration of what Matthew Watson calls '[uneconomic economics](#)' is reflected in the perspective of policy-making elites. The biggest culprit during the Scottish independent referendum was probably the No campaign, led by the Labour Party. It sought to make the debate all about the economics of independence, as if the Scottish economy were some creature impervious to political oversight. Politics as a series of more or less effective 'inputs' into an essentially economic arena is a staple imaginary of neoliberal ideology, and actually the No campaign did quite a good job of showing how inputs from

both Whitehall and Holyrood would be better than inputs from the latter alone.

It is quite surprising, therefore, that the SNP did as well as it did. The No campaign expected to prevail simply by exposing the dodgy economics behind the SNP's strategy (because, as devastating as Whitehall-imposed austerity has been, it would be nothing compared to the pain that would probably have been inflicted on Scotland had any of the SNP's monetary policy options come to pass).

But the SNP knew that the London-based elite's ideas about how the economy works conflict with how most people experience economic life. Rather than offering an alternative vision, it simply ignored the economy, offering a highly improbable account of [currency union](#) and [North Sea oil reserves](#) when forced to do so, but instead sought to make the debate largely about autonomy from Whitehall. It pointed the blame at the institutions of the British state, not the political economy underpinning them.

The most disappointing aspect of the Yes campaign, however, from my perspective as a political economist, was the more diverse left-wing campaign which mobilised beyond the confines of the mainstream SNP campaign. Its leaders similarly decided to ignore the enormous macroeconomic implications of independence and campaigned instead on the highly contestable notion that smaller polities are better democracies.

This orientation downplayed the opportunity that independence would have given the SNP to entrench its own power and ideology within the machinery of the new Scottish state. Given that the SNP's strategy depended, fundamentally, in handing the sovereign control of monetary policy back to the Bank of England, or the anarchic bond markets, this oversight was indefensible.

My fear is that we are seeing the same dynamic in the post-referendum debate on devolution within England. The Conservative Party quickly defined the problem as '[the English question](#)', suggesting that Scottish devolution would require that issues affecting only England should be decided only by MPs representing English parliamentary seats. Such an arrangement would offer only the illusion of greater control, given that England already dominates the UK Parliament, and that the most important economic policy powers – such as monetary policy – would still be exercised on a UK-wide basis. English votes for English issues actually risks further depoliticising the governance of the economy under the cloak of subsidiarity.

It also, of course, does nothing to repair regional imbalances within England. So does that mean that local assemblies, connected to regional devolution, are the answer? These would not be unwelcome, but the prospect should not automatically be assumed to be positive. Regional devolution within England would still, by definition, leave the powers that really matter at the national level. Monetary policy devolution is impossible without formal independence (and, as Scotland almost found out, even then it is not assured!). Even if fiscal policy – tax and spend – was entirely devolved, it would hand greater power to the regions, but would force us to confront the thorny issue of what happens when the poorest regions are only able to spend money that their own economies and residents have generated? This scenario reinforces, rather than alleviates, regional inequalities.

These are questions that can only be asked, let alone answered, with reference to political economy. But there is a worrying silence in this regard. For instance, the Cabinet Office's [Northern Futures](#) agenda – a pet project of Nick Clegg – is ostensibly focused on the right issue, that of boosting economic development within Northern England. Yet it asks the North to look only inward when it comes to thinking about how to improve its prospects, rather than to the structural disadvantage of the North within the UK economy as a whole. Indeed, the agenda is probably more interested in rebranding than rebalancing, as demonstrated by the simultaneous 'brainstorm' sessions Clegg has organised across the North:

'The Open Ideas Days will see eight all day events running simultaneously in eight separate locations across the North, allowing experts and non-experts to come together to share ideas and develop solutions using a mixture of creative problem solving tools and design thinking methods'.

It is easy to be cynical about such outcomes, pointing to the conservatism of the political class, but in reality they are just as much a product of the paucity of cognitive resources in our everyday discourse that would enable a political economy perspective to be articulated more effectively. We think about politics as something that acts upon the economy – with increasing trepidation – rather than something which serves to constitute economic life.

In largely abandoning the study of economies to economists, social scientists are partly to blame. Unless this changes, I fear devolution will become a red herring of democratisation.

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