

Devolution and the Limits of Tory Statecraft: The Conservatives in Coalition and Scotland and Wales

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Alan Convery
School of Government and Public Policy
University of Strathclyde
McCance Building
16 Richmond Street
Glasgow
G1 1XQ
alan.j.convery@strath.ac.uk

Abstract:

This paper examines the territorial statecraft of the Conservative Party in the coalition government since 2010. Using Bulpitt's statecraft framework, it argues that the Conservative Party has pursued broadly the same strategy as the previous Labour administration: centre autonomy management. Thus, as long as the devolved administrations stick to their low politics remit, regional policy divergence and autonomy remain mostly irrelevant to the centre. This explains why internal adaptation to devolution in the highly-centralised Conservative Party has been so unexpectedly smooth. Scotland and Wales are not essential to achieving a parliamentary majority and both can be safely ignored, *provided they do not interfere with the priority of being in power at the UK level*. However, this paper argues that we are now reaching the limits of this strategy: both in terms of internal party management and the governance of the UK. The Calman and Silk Commissions point towards a future of sharing Treasury control over UK public finances. With the centre's governing autonomy increasingly compromised, the Conservative Party faces the challenge of creating a new governing code which allows it to pursue its priorities.

Introduction

Anything in Scotland will be a bonus, but we need to be able to build a UK majority without any Scottish MPs.

'Conservative aide' quoted on ConservativeHome.com (2011)

In his recent history of the party, Robin Harris (2011: 4) observes that 'The Conservative Party exists, has always existed and can only exist to acquire and exercise power, albeit on a particular set of terms.' This paper argues that this 'set of terms' has defined its attitude towards devolution in the United Kingdom. If the Conservative Party is the ultimate office-seeking party (Harmel and Janda, 1994; Müller and Strøm, 1997), then its conception of what makes that office worth holding is of central importance. For the Conservatives, this means control over the major economic, fiscal and foreign policy levers at the centre, ideally through a majority government. Thus far devolution has in the main allowed the Conservative Party to preserve the autonomy of the centre whilst supporting and granting relatively

painless concessions to Scotland and Wales. In Bulpittian terms, devolution remains strictly a matter of low politics. Any economic policy which would interest a Conservative is designed solely in the Treasury. The Scots and the Welsh, *within their allocated budgets*, can do whatever they please with their hospitals, nurseries and roads.

This allows the Conservative Party to pursue its over-riding priority of achieving office at a UK level. However, this paper argues that this latter-day ‘dual polity’ strategy (Bulpitt, 1983: 139) towards Scotland and Wales is reaching its limits in terms of the preservation of central autonomy. Both the Calman and Silk Commissions have recommended that the powers of the devolved administrations in Scotland and Wales should start to encroach on what has been traditionally the sole preserve of the Treasury. This will necessitate the centre being dragged into negotiation with the periphery on areas of high economic policy. Its room for manoeuvre in this area will for the first time be constrained. A new Conservative territorial strategy will therefore be required. However, it is by no means certain that the Conservative Party has the capacity or desire to attempt anything beyond a threadbare defence of increasingly compromised central autonomy.

This paper begins by examining Bulpitt’s (1983) interpretation of territorial politics in the UK. Although some aspects of his analysis are open to reasonable criticism, his ideas still provide an enduring prism through which to view UK politics. In particular, the notions of the high and low politics split and Conservative statecraft help to explain the attitudes of Conservative Party elites towards devolution. This paper then considers the statecraft strategy of the Labour and Conservative Parties in government and opposition. Unlike in the territorial Labour Party, there have not been major Conservative disputes about policy divergence or candidate selection and the state-wide party has been content to leave its territorial branches to their own devices. This has continued in the move from opposition to government and can in part be explained by its statecraft strategy: low politics issues do not matter provided they do not interfere with the autonomy of the centre.

Finally, this paper considers challenges to this strategy, in particular from the recent Scotland Act, Silk Commission report and other more radical and detailed proposals for reform (e.g. Trench, 2013). The road along which devolution is heading suggests increasing and unprecedented territorial penetration of the centre. Instead of engaging with such debates, the Conservative Party seems content to pursue a refashioned version of centre autonomy which is increasingly at odds with reality.

Territory, power and statecraft

Bulpitt’s interpretation of territorial politics in the UK, first outlined in *Territory and Power in the United Kingdom* in 1983, has since been critiqued (Rhodes, 1988: 933), defended (Bradbury, 2006, 2010) and refined (Buller, 1999; James, 2011). Having criticised previous studies of territorial politics for being too narrow, imprecise, normative and apolitical (Bulpitt, 1983: 57-58), Bulpitt proposes an approach which emphasises the importance of analysing the practices of the centre. Nevertheless his argument does not posit that a powerful centre wants or is able entirely to control peripheral interests. Instead, the centre attempts to manage sub-national forces in such a way that it is allowed to pursue its own priorities.

He suggests four models of centre-periphery relations (Bulpitt, 1983: 67-68). In the *coercive power model* the centre achieves what it wants by the threat or use of coercion; however, Bulpitt (1983: 67) emphasises that centres rarely possess the capability necessary to entirely control the periphery in this way. Under a *centre authority model* peripheral forces accept that the centre has the legitimate right to command them to follow its instructions, allowing the centre to achieve its aims. The *capital city bargaining model* suggests that the structure of the state allows peripheral groups and governments to use the institutions of the centre to pursue their goals (perhaps through ‘colonising’ those central levers of power which

concern them most). Finally, in the *central autonomy model* the centre seeks the space to avoid the distractions of peripheral issues in order to pursue what it regards as matters of 'High Politics'. Thus 'the centre will act like a garrison state, seeking to insulate itself from peripheral interests by restricting the extent to which they can penetrate its fortress' (Bulpitt, 1983: 68).

According to Bulpitt, the Conservative Party in the 20th century pursued a statecraft strategy which was concerned primarily with maintaining the centre's autonomy. This involved the core aim of achieving majority Conservative governments at Westminster. The party may have made use of clients for electoral benefit, but crucially, in office, the party sought to wall itself off from peripheral and external constraints. Thus 'in brief, what the Conservatives wanted to achieve in government was a relative autonomy for the centre [Cabinet and senior civil service (Whitehall)] on those matters which they defined as 'high politics' at any particular time (Bulpitt, 1986: 27).

Bulpitt argues that Thatcherism was not a decisive ideological shift away from the past: it was instead 'an attempt to reconstruct it' (Bulpitt 1986: 33). Bulpitt (1983) splits the 20th century into three periods of UK statecraft regimes: 1924-1961; 1961-1979; and 1979-. In the first period the dominance of neo-classical economic theory allowed the court to operate a rules-based economic policy. Central government's role was to provide the environment for stable inflation and exchange rates, and to maintain fiscal discipline. Messy and politically-charged engagement with societal groups could be left to 'established methods of indirect rule from collaborative local elites' (Bulpitt 1983: 160), like agencies and local government. This allowed the court to devote its time to high political items like foreign affairs and defence. Bulpitt characterises this as a 'dual polity' of centre and periphery. The centre, like an 'absentee landlord', was happy to allow considerable autonomy for the periphery provided it did not interfere in its patch of high political matters (Bulpitt 1983: 161).

The second regime marks the breakdown of the dual polity. Thus 'the centre...eschewed the old economic autonomy code for more direct intervention in the periphery' (Bulpitt 1983: 192). As it became more drawn into trying to satisfy the competing demands of different societal groups, however, its governing competence suffered. By intervening in this area it exposed itself to being blamed for economic underperformance and gradually became 'overwhelmed' (Buller 1999: 698).

The third regime is that of Thatcher and, for Bulpitt (1986: 34), the 'principal aim of those who took office in May 1979 was to achieve a governing competence through a reconstruction of that traditional centre autonomy enjoyed by British governments prior to the 1960s'. Thatcherism does not mark a radical break with the past, but an attempt to reassert the high and low politics split of the 1924-1961 regime. It sought to do this by drastically reducing state intervention in the economy and by trying to recreate some kind of depoliticised automation in economic policy through monetarism. The ideological motivations for these policies were, according to Bulpitt, secondary to considerations of Conservative statecraft: 'centre autonomy was always the principal rule' (Bulpitt, 1986: 28).

Bulpitt's statecraft perspective provides an original and parsimonious interpretation of British territorial politics. However, the idea of the governing court is vulnerable to the charge that it is difficult to study and impossible to prove. It is difficult to find out the internal workings and assumptions of central political elites (Rhodes, 1988: 933). The statecraft perspective also finds it difficult to account for change due to factors outside the governing court's control. As Buller (1999: 703) asks, 'how can we adequately account for episodes where a particular statecraft is wrecked by events or movements external to the governing process?'

Nevertheless, as we will see, Bulpitt's theory can still usefully be applied to the attitudes of elites within the modern Conservative Party. As Bradbury (2006: 572) concludes, 'governing codes are difficult to study empirically, but we should recognise that what he was analysing was an aspect of government that intuitively we know to be important but is inherently hard to research: the unwritten rules that guide governors.' Keeping these limitations and critiques in mind, this paper will examine what insights Bulpitt's 1980s analysis of territorial politics can offer about the Conservative Party in 2013.

UK governments and post-devolution statecraft

Bradbury (2006: 577) argues that New Labour followed the same centre autonomy strategy in government as the Conservative Party when devising and managing the new devolution arrangements. Peripheral matters were hived off to be debated in regional parliaments and assemblies; potentially controversial issues like negotiations over territorial finance were placed on auto-pilot through the Barnett formula; and, in general, as Bradbury (2006: 578) points out, 'the scope of the devolved institutions was limited to essentially distributive and regulatory policies in areas generally previously covered by the former territorial offices of state.' Devolution was thus designed to be strictly a low politics affair. It democratised functions the centre had previously decided could be safely be given a more regional character without compromising its autonomy (McGarvey and Cairney, 2009: 244). As Gallagher (2012: 199) concludes: 'Devolution involved a big reorganisation of government but the costs of change were remarkably low.'

Matters of high politics or English domestic policy were shielded from interference or negotiation with the periphery (Keating, 2012: 223). Budgets continued to be written in the Treasury and approved by the House of Commons. The Scottish and Welsh governments could argue for more generous settlements like previous Scottish and Welsh secretaries, but Whitehall retained ultimate control. For accounting purposes, there is not a great deal of difference between the Scottish block grant and the budget for another Whitehall department (see HM Treasury, 2012: 55). For instance, the Treasury rules about whether Scotland and Wales can use end year flexibility to carry forward unspent funds to the next financial year are exactly the same as those for other Whitehall departments. The Treasury retains the final say (Gallagher, 2012: 207). Crucially there was no possibility of Scottish or Welsh policies constraining or contaminating high political matters or major English domestic reforms. The fact that Wales chose to abandon market-based reforms in public services was of little consequence to the English health or education departments who pursued their own reforms regardless (Bradbury, 2006: 578). Now, far from worrying about policy divergence, ministers at the centre are keen to contrast their approach with what they see as the inferior Welsh alternative.

The Conservative Party, having flirted with support for Scottish devolution under Heath, became under Thatcher stridently opposed to any substantial change in the governance of Scotland and Wales. Apart from a few lonely devolutionist voices, this was also the view of the Scottish and Welsh branches of the Conservative Party. Their preference was to be governed by a Conservative territorial secretary of state and their efforts were focused on contributing seats to a Westminster majority government. In opposition (1997-2010), the Conservative Party restructured itself to reflect the new reality of devolution.

Intra-party Conservative statecraft

In Scotland, the Conservatives initially created a structure which reflected the fact that Scottish Conservatives still saw their primary goal as being in power alone at Westminster. Thus, following the blueprint of the Strathclyde Commission, the head of the party in Scotland was a Chairman appointed jointly by the Scottish Executive and the leader of the

UK party (Strathclyde Commission, 1998: 4). Not only was the leader of the group of MSPs not directly elected by party members; he or she was also nominally not in charge. This structure was created in the expectation that a future UK Conservative Secretary of State for Scotland would slot into it and also have an important leadership role (interview with Conservative MSP, 16 August 2012).

The party in Scotland thus acquiesced in the statecraft goals of the centre. Much of the literature on sub-national parties points to regional demands for further autonomy (see, for instance, Detterbeck 2012: 42, Van Houten 2009: 140-141, Hopkin 2003: 230). It is interesting to note therefore that the Scottish Conservatives have never been in a position of demanding autonomy that the centre is reluctant to grant. Indeed, when given the chance to separate entirely in 2011, they rejected it (Convery, 2013). This may in part reflect a belief, shared with UK party elites, that high politics matters should be decided by Conservatives at the centre. It may also latterly reflect a desire to circumvent Conservative weakness in Scotland. Policy-making is much more likely to be on the centre-right if it is controlled by UK government departments. It is unlikely, for instance, that Iain Duncan-Smith's welfare reforms would see the light of day in Scotland, were they not still controlled by the UK Department of Work and Pensions (for a highly critical Scottish Parliament committee report, see Welfare Reform Committee, 2012). This is the case even when departments are led by Labour ministers. Centre-right policies are more likely to be implemented by the centre than by the Scottish Parliament where policy-making is dominated by professional interests (McGarvey and McConnell, 2012).

In a revealing moment during the 2010 Scottish Conservative Party conference in Perth, the then Chairman Andrew Fulton declared in his opening remarks that David Cameron's charge to him had been to 'get me more seats in Scotland' (Fulton, 2010). He made clear that this was a task he readily accepted. Thus the Scottish Conservative Party shared the Conservative statecraft bias towards the priority of achieving power at Westminster. Indeed, before the 2007 Scottish Parliament elections, the Scottish Conservative leader, Annabel Goldie, specifically promised that she would not enter into coalition negotiations with other parties to form a government. Instead, she said that Conservatives would try to influence policy from opposition. Such an announcement would have been unthinkable for any senior UK Conservative. It reflected the widely-held view in the Scottish Conservatives that the main priority was helping the UK party to achieve a majority at Westminster.

From the UK party's perspective, its attitude to the Scottish Conservatives since devolution might be characterised as one of benign neglect. The Scottish Tories have been for the most part left to their own devices. Unlike in the territorial Labour Party there have been no major arguments about regional leadership selection (Hopkin, 2009: 186-187). Thus, perhaps somewhat surprisingly given its history of heavy centralisation and more recent uncompromising unionism, the Conservative Party's Scottish organisation has adapted reasonably well to the challenges of devolution. Not only has significant autonomy been given to the Scottish Conservatives; there is also a relaxed attitude at the centre towards the Scottish branch taking a different policy path within the limits of the devolution arrangements. For instance, when the Scottish Conservatives decided to support free personal care in Scotland in 2002, this did not cause any problems with the centre. Moreover, the Scottish Conservatives, whether because of lack of interest or deference, have never strayed into bold thinking on constitutional or fiscal matters which have the potential to interfere with the autonomy of the centre.

The Welsh Conservative Party has never enjoyed the same level of autonomy or separate identity as the Scottish Conservatives. A path for its post-devolution future was therefore less obvious in 1998. It has remained more closely integrated into the UK

Conservative Party than the party in Scotland (Fabre and Mendez-Lago, 2009: 108). This can in part be explained by the fact that the party in Wales never existed as a separate entity (Fabre, 2008). The post-devolution structure in Wales provided for a Welsh Party Board and a leader of the Conservative Party in the Welsh Assembly. However, to this day, the leader of the Welsh Conservative Party is technically still the leader of the UK Conservative Party.

The policy autonomy of the Welsh Conservatives, however, is similar to that enjoyed by the Scottish Conservatives. Whilst controversial matters are sometimes the subject of robust discussion with the UK party, overall a Welsh AM concludes that the Welsh Conservatives have the final say over policy matters (interview with Conservative AM, March 2011). The Welsh Conservatives' manifesto requires the UK Party's approval, but final decisions remain in the hands of the party in Wales (Detterbeck, 2012: 180). This has led to divergence on some areas such as energy policy and education policy.

However, the Welsh Conservative Party has pursued a strategy which is more explicitly based on national identity and differentiation. They have deliberately emphasised their Welshness through a strong commitment to the Welsh language and policy distinctiveness (see, for instance, Bourne 2005). This strategy is not necessarily the path that would have been pursued under solely UK leadership. Nevertheless, the UK party centre has been happy to leave the Welsh Conservatives to differentiate themselves both because it does not interfere with high political matters and because it has produced electoral results. The only prominent member of the Welsh Conservative Party who ventures forcefully into high political matters is David Melding AM. However, his proposals for a federal United Kingdom have not had much impact on the central party leadership (Melding, 2009).

Despite having been stridently opposed to devolution before 1998, the Conservative Party found to its surprise that the latter day 'dual polity' created by the Labour Party in fact suited it reasonably well. Indeed, elites at the centre were arguably more relaxed than in the Labour Party about regional branches pursuing different policies (although this in part may be explained by the Party's electoral weakness in Scotland and Wales). The Conservatives at the centre gave their regional branches considerable freedom in devolved areas, but maintained a clear split between the politics of the centre and the periphery. This strategy also suited the Welsh and Scottish Conservative parties who did not push for more autonomy during this period and in the main steered clear of commitments on high politics matters. Overall, Detterbeck's (2012: 204) detailed study of territorial party politics views the Scottish and Welsh Conservatives as 'autonomist-type' parties which enjoy considerable freedom and can be considered more autonomous than the regional branches of Spain's PSOE or PP.

Thus before the more recent Scotland Act and the proposals of the Silk Commission, some of the key elements of a Tory statecraft strategy were in place. The arrangements meant that domestic policy in Scotland and Wales could be ignored because it did not interfere with the party's priority of governing alone at Westminster. This allowed the centre to establish a measure of domestic tranquillity in order to pursue its priority of regaining power at Westminster (Bulpitt, 1986). As Detterbeck concludes, 'while keeping formal control, and hence the power to intervene, the centre gives substantial leeway to the 'Celtic fringe'' (Detterbeck, 2012: 222).

This also explains why the Conservative centre was so relaxed about the idea of the Scottish Conservative Party breaking away to form a new separate party of the centre-right in Scotland. During the 2011 Scottish Conservative Party leadership election when one of the candidates proposed such a move, no objection in principle was raised by the centre and, even among the candidates who opposed breaking away, there was no question of the Scottish Party's ability to do it. The centre simply assumed that English Conservative Party would continue as before and merely lose a loss-making division. As Keating (2010: 369)

points out, this also explains English elites' relaxed attitude towards Scottish independence: they are confident 'their own polity will carry on regardless.'

Conservatives in government: the coalition's territorial statecraft

Overall, the Conservatives in government since 2010 have pursued a strategy of quiet containment and muddling through. Due to processes set in motion by the previous government, many aspects of policy towards Scotland and Wales were already out of the Conservatives' control and they have merely responded to events. However, the Conservatives' statecraft strategy in relation to the regions of the United Kingdom is becoming increasingly threadbare. They have no vision for the future of the United Kingdom and may find it increasingly difficult to hold on to the shreds of their centre autonomy strategy as devolution evolves and starts to penetrate the centre.

One of the most surprising aspects of the Coalition's territorial statecraft is how little it has been affected by the Liberal Democrats. The Liberal Democrats were long committed to a more federal settlement for the United Kingdom. The report of the Steel Commission proposed putting devolution on a much more federal footing (Steel Commission, 2007). This is not, however, an agenda which they have pushed in government and the recent commission under Sir Menzies Campbell has simply restated their commitment to a more federal Britain (Home Rule Commission, 2012). The Liberal Democrat impact on Conservative statecraft strategy appears to have been limited. The Secretary of State for Scotland, Michael Moore, has not publicly disagreed with the Conservatives over Scotland and successfully negotiated the Edinburgh Agreement alongside the Prime Minister. Overall, the two parties have not found it difficult to forge a common agenda on devolution matters (Aughey, 2011: 172).

Scotland

Since the 1980s, Conservative prime ministers have struggled with the question of how to staff the Scottish Office. A potentially very awkward situation about the appointment of a Secretary of State for Scotland was avoided in 2010 thanks to the coalition with the Liberal Democrats. The Liberal Democrats' 11 seats in Scotland made one of their number an obvious choice for the Scotland Office. Scotland's only Tory MP, David Mundell, serves as a junior minister there. However, had there been a Conservative majority, David Cameron would have had no choice but to appoint a minister to the Scotland Office who did not represent a Scottish constituency. If there were no increase in Conservative support in Scotland and David Mundell were to lose his seat in the 2015 general election due to boundary changes or loss of support, then David Cameron would find himself in profoundly murky political and constitutional waters. The seriousness of this situation is for the moment masked by the coalition, but such lopsided support for a statewide party raises difficult questions about the future of the state, regardless of the result of the referendum.

The first issue to confront this coalition Scotland team was the Scotland Bill. In 2007, alongside Labour and the Liberal Democrats, the Conservatives set up the Calman Commission on Scottish devolution. This inquiry examined how devolution might be improved in light of the experience of the first decade and in light of the SNP's narrow victory at the 2007 Holyrood elections. Then leader Annabel Goldie was criticised for the decision to participate in the commission due to the staunchly unionist views of some party members and MSPs. Nevertheless, perhaps mindful of the Conservatives having lost influence on the eventual shape of devolution by refusing to take part in the Scottish Constitutional Convention in the early 1990s, the Scottish Tories played a full part from the outset. The final report recommended a modest increase in the Scottish Parliament's powers over some domestic matters. Most significantly, it proposed further devolution of tax powers so that 10p in the pound of income tax was set and raised in Scotland (see Calman

Commission, 2009: part three). Despite some internal dissent about pandering to the SNP's priorities, the Scottish Conservatives supported these changes. The UK Conservative Party 2010 manifesto committed to implementing this further transfer of powers to Scotland (Conservative Party, 2010: 83). The broad thrust of the Calman proposals became law in the Scotland Act 2012.

Politically, it would have been extremely awkward to oppose these measures. The Conservatives played a full part in their formulation and the Calman Commission enjoyed cross-party support. Distancing themselves from the report's conclusions could have reinforced the impression that the Conservatives were anti-Scottish. However, support for the Calman proposals has not translated into a coherent Conservative approach to the challenge of devolution. In the event it did not do much to improve the Conservatives' image in Scotland; nor did it demonstrate a set of principles which the Conservatives were applying to Scotland in order to further their interests and keep the United Kingdom together. It was an obvious and easy way to fill a gap in political thinking: granting relatively painless concessions from the centre but finding the strategy inadequate when it is overtaken by events. The Prime Minister thus found himself in a position of championing a Bill which received lukewarm support from all quarters: the SNP saw it as a first step; unionist-minded Conservatives in Scotland disliked the transfer of powers but saw it as the price of looking 'pro-Scottish'; and more radical voices on the centre-right in Scotland (and England) thought the fiscal powers did not go far enough to deal with English resentment or Scottish dependency.

The measures in the Scotland Bill were swiftly overtaken by the election of an SNP majority government in 2011. This called into question the Conservatives' entire strategy towards Scotland and guaranteed a referendum on independence. The Prime Minister's response has predictably been to make speeches defending the Union. What he has not chosen to do is outline a vision for Scotland's place within the United Kingdom. This means that policy tends to be rewritten every time the Prime Minister visits.

The most egregious example of this occurred in February 2012 and captures many of the political dangers of Cameron's approach. In a speech to business leaders in Edinburgh (whose tone was otherwise broadly well received – see, for instance, *The Scotsman*, 2012) the Prime Minister said that 'when the referendum is over, I am open to looking at how the devolution settlement can be improved further. And, yes, this does mean considering what further powers could be devolved' (Cameron, 2012). This was interpreted in Scotland as a new position for the Conservative Party. It also appeared not to have been cleared with Ruth Davidson, the Scottish leader, who promised during her election campaign that the Scotland Bill was a 'line in the sand' in terms of further powers. The remark also prompted unflattering comparisons with similar comments by Sir Alec Douglas-Home ahead of the 1979 devolution referendum. He also promised that a negative referendum result would not take devolution off the agenda.

It immediately begged questions about what exactly the Prime Minister was proposing. Would he be outlining these new powers? Was this approach agreed with the Scottish party? Would these powers fall short of full fiscal autonomy? It appeared that the Prime Minister himself did not know. Nor, it appears, had he been advised about the consequences of outlining a significant change in policy on Scotland without preparing the ground or thinking about the implications. Conservative policy on Scotland is thus constantly subject to ad hoc adjustments, to burnish the main argument of a speech or to help with appearing relaxed about Scottish aspirations. It does not emerge out of a strategy to make Scottish aspirations work for Conservative interests.

In this sense Prime Minister is behind the curve and must always react to events. The present strategy is reminiscent of the attempts by the mid-1990s Conservative Party to

forestall devolution through reform of the Scottish Grand Committee in the House of Commons. The Secretary of State for Scotland at the time, Ian Lang (2002:206), reflects that:

by then, in truth, it was really all too late. It was a package which if implemented thirty or forty years earlier might have done the trick. Now, though – ironically, as transport and communication links between Scotland and London were quicker and easier than they had ever been – the perception of a distant Westminster was stronger than ever.

Similarly, the Prime Minister constantly finds himself on the back foot, responding to previous concerns, rather than engaging constructively in discussions about the future of the UK. For instance, a group of politicians from all the unionist parties have set up a ‘devo-plus’ group to look at further devolution beyond the Scotland Bill but short of independence (Devo Plus, 2012). This includes Alex Fergusson MSP, a Conservative and former Scottish Parliament presiding officer. The UK Conservatives have done little to engage with these arguments and ideas. It is not, however, difficult to conceive of a set of circumstances where Scotland raising more of the taxes it spends might suit Conservative Party interests: both in making the arguments of the Conservatives in Scotland more appealing and providing a coherent, centre-right alternative to independence (Mitchell and Convery, 2012).

It is significant that having been so anti-devolution for so long the Conservatives decided to be open about the devolution of further powers to the Scottish Parliament. The problem is that this public stance masks deep internal divisions and a lack of thinking about the type of devolution the Conservatives want Scotland to have. Instead of thinking from first principles about a Conservative vision for devolution, the Conservatives have been swept along in the pro-devolution tide without a compass by a mixture of guilt and expediency.

David Cameron promised a ‘respect agenda’ when dealing with Scotland. For the most part, this is the attitude he has followed. When he speaks in Scotland he is careful to acknowledge Scottish distinctiveness and the policy-making autonomy of the Scottish Conservative Party. However, this sensitivity cannot detract from the fact that the Prime Minister has no plan for Scotland other than to hope that it remains in the union.

The Edinburgh Agreement, signed by Alex Salmond and David Cameron in October 2012, represents the most significant penetration of the centre by the periphery. The fortress created around constitutional matters was breached, leading to a referendum on Scottish independence backed by the centre’s authority. On a symbolic level, the First Minister was treated as equal to the Prime Minister. This is a situation which the Labour Party in office was determined to avoid in office by conducting relations with the Scottish Government through the Secretary of State for Scotland.

Wales

In Wales, the Conservatives’ statecraft in coalition has been characterised by the same automatism and agenda of responding to events. After some initial reluctance (interview with AM, March 2012), the Conservative Party promised to legislate for a referendum on implementation of further Welsh devolution, as recommended by the Richard Commission. A ‘Yes’ vote in March 2011 transferred enhanced legislative powers to the Welsh Assembly. However, these powers relate only to low politics matters (most of which were already under the Assembly’s control) and as Scully and Wyn Jones (2011: 119) point out, ‘Welsh devolution is still rather less far-reaching than granted to Scotland or, indeed, Northern Ireland.’ This concession from the centre could hardly have been more painless. The structure of the Welsh Conservative Party remains unchanged.

Some research suggests that relations between the Welsh Assembly Government have improved since the Coalition government came to power. Wyn Jones and Royles’s (2012)

interviews with Welsh Government officials suggested a more helpful approach was emerging in Whitehall. However, ‘the explanation proffered for this was that Wales was no longer being caught in the London-Edinburgh crossfire as the new UK government adopted a less hostile position towards the SNP government than its Labour predecessor’ (Wyn Jones and Royles, 2012: 265).

Territorial statecraft, Cameronism and the Big Society

Traditional views about the constitution and the nature of parliamentary sovereignty make it difficult for some in the Conservative Party to engage imaginatively with debates about the future of devolution (Keating, 2010). However, part of the problem is also that territorial devolution does not fit easily into the Cameron modernisation agenda. Its constitutional scope tends to be limited to questions of localism and human rights. Thus, while much thought and energy was expended on the Localism Act, this involved only devolution to local councils and communities; it ignored the territorial dimension of the UK. Much of the Conservative writing on the Big Society is also explicitly concerned with devolving power downwards through co-ops and employee ownership (see, for instance, Norman, 2010).

In his book about the future of the coalition, the Conservative MP for Grantham and Stamford, Nick Boles, states that instead of solely focusing on the percentage of GDP consumed by the state, ‘Liberal Conservatives are more interested in the power of the state and its lack of accountability’ (Boles, 2010: 37; see also Boles, 2001). However, this has not been extended to apply to Scotland or Wales where potentially a Conservative case for greater fiscal accountability could be thrashed out based on the same principles. Thus while Thatcherism could only devolve economic and not political power, it seems that Cameronism seeks only to extend localism to public services and local government. On a recent visit to Scotland, for instance, the Prime Minister encouraged Scotland to follow England’s example by adopting policies like free schools (*Scotsman*, 2012b). Leaving aside the fact that headlines like ‘David Cameron tells Scotland to copy English reform’ may be unhelpful, it is not even clear that there is any appetite for such reforms in Scotland, even if the Conservatives were in a position to introduce them. Instead, it might be more fruitful for a Conservative to engage in a debate about creating the correct fiscal incentives to make Scotland think more carefully about public sector productivity.

The statewide Conservative Party has not considered the links between the principles it claims guide its policies and its attitude towards Scotland and Wales where it is still stuck in a mind-set of agreeing concessions, rather than (as is the case of elected mayors in England, for example) thinking about what might best serve its interests in the long term.

Reaching the limits of centre-autonomy management

Until now, devolution in the UK has for the most part shielded the centre from taking difficult decisions. The Conservative Party has embraced a set of arrangements which allows it to isolate the priority of Westminster office from regional interference. Its internal arrangements and behaviour in government reflect a relaxed attitude towards policy divergence and a lack of philosophical engagement with issues of national identity. However, the evolution of devolution points towards increasing territorial penetration of the centre in ways which will make a Tory statecraft based on achieving centre autonomy difficult to sustain.

The recent Scotland Act transferred powers over some taxes and other areas. However, its significance lay in how it began to map out the architecture for a fiscally-decentralised United Kingdom. HM Revenue and Customs must now work out how to collect different rates of income tax in different parts of the UK (Trench, 2012). Transferring powers wholesale to the Scottish Parliament or Welsh Assembly is relatively easy and painless.

Giving the Scottish Parliament the power to ban air guns, for instance, has no impact on centre autonomy. However, the new arrangements now threaten to delve into areas which breach the key assumptions of a centre autonomy style of statecraft. Devolving entire areas means hiving them off to unimportant peripheral interests: *shared* responsibility implies being dragged into negotiation with the periphery. Thus the power to vary income tax and to borrow money requires co-operative working between the Treasury and the devolved administrations. The implications of changes in rates of income tax for Scotland (or Wales) will need to be considered when formulating broader macro-economic strategy for the UK. The power granted under the Scotland Act 2012 to the Scottish Parliament to create any new taxes it likes with the UK Government's permission implies detailed discussion, negotiation and consideration of the consequences for England, particularly in the north. Now that the principle of separate tax rates and revenue-raising in Scotland has been conceded, it is not difficult to see how this new fiscal architecture for the UK could lead to increasing decentralisation of financial matters. In short, the Treasury will find it difficult to continue to account for Scotland as simply another UK government department. In Wales, the recent first report of the Silk Commission envisages similar tax and borrowing devolution to the Welsh Assembly.

The other key element which has allowed a something akin to a 'dual polity' to continue is the auto-pilot nature of the Barnett Formula. Although the Coalition Government has noted the concerns expressed about the operation of the formula by the Holtham Commission, it insists that any changes to the system can only be carried out when the public finances are on a sounder footing. However, eventually the Barnett Formula will have to be replaced. Any successor mechanism for allocating funding to the UK's regions is unlikely to be as opaque, flexible and impervious to peripheral negotiation as Barnett. For instance, the House of Lords Select Committee on the Barnett Formula felt the need to recommend that its replacement be 'comprehensible'. It notes that 'although the formula is clear in its method of calculating the proportion of incremental changes to the block grant, the basis on which the baseline – and therefore the block grant as a whole – rests is not' (House of Lords, 2009: 38). Moreover, it is likely that a replacement formula will have to be much more sensitive to the needs of the devolved regions. A formula based on regular re-assessments of need, or at the very least one that considers needs in a way that the current formula does not, has the potential to involve much greater peripheral penetration of the Treasury and its public spending processes. Overall, having been one of the least developed aspects of the devolution arrangements (Watts, 2007: 257) developments in financial matters have now set the UK on a path which is likely to lead to increasing fiscal decentralisation.

Conclusion

The analysis presented in this paper suggests three broad conclusions about Conservative territorial statecraft in 2013. First, following Bulpitt's logic, it should not have been surprising that the Conservative Party dealt well internally with the challenge of devolution. Conservatives in Scotland and Wales still placed a high premium on being in power at Westminster and in this sense shared the statecraft goals of the centre. Alongside in Scotland a dearth of Conservative political thought, this common goal led to reluctance to rock the boat. Moreover, for the most part, the sub-national Conservative Party retracts a strong Unionist bias and the traditional Conservative loyalty to a centralised and powerful leadership. Almost complete policy autonomy could therefore be granted to regional branches on low politics matters without compromising the centre's prerogatives. That the Scottish Conservative Party supported free personal care for the elderly was of little consequence. If, as in Scotland, the regional party is also weak, it is not surprising that it should slip off the centre's radar altogether.

Secondly, the path along which devolution is heading will make it increasingly difficult for the Conservative Party to maintain a post-devolution 'dual polity' which walls off English domestic policy and high economic and foreign policy. We are thus reaching the end of an era of 'cheap Unionism' where supporting the territorial aspirations of Scotland and Wales involves no uncomfortable concessions from the centre. Thinkers at the centre of the Conservative Party have failed to engage with this new reality and with questions of national identity. Indeed, elites at the UK centre and in the Conservative Party arguably find the independence of Scotland and Wales preferable to the compromised central autonomy implied in a more explicitly federal UK (Keating, 2009).

Thirdly, being in office and holding the high politics levers at the centre will likely remain the number one priority for the Conservative Party. However, because the periphery is becoming increasingly difficult to isolate and ignore, the Conservative Party will have to decide whether it adopts the easy option of continuing to preserve centre autonomy at all costs, regardless of the impact on disgruntled regions. The more challenging and more worthy path for the Conservative Party lies in creating a new governing code which faces up to present realities. If in the end the Conservative Party decides that it cannot be bothered to even attempt to do so, then it will have become in terms of territorial statecraft a party which the creators of the Scottish Office would no longer recognise.

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