



10-Minute Talks: Public finances and the Union since 1707

By Professor Julian Hoppit FBA

In this talk, Professor Julian Hoppit FBA Julian Hoppit introduces his new book, The Dreadful Monster and its Poor Relations. Taxing, Spending, and the United Kingdom, 1707-2021, which explores the geography of public finances in the United Kingdom over the last three centuries.

This talk is available to watch on [YouTube](#)



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Professor Julian Hoppit FBA [00:00:07] As my book's subtitle suggests, I'm concerned with the relationship between public finances and the making and evolution of the UK as a composite state over the last three centuries. In particular, the book focuses on the difficulties of arranging taxation and public expenditure in ways that people are happy with, whichever part of the UK they might be in.

My concerns are with issues around territoriality in particular that if arrangements seek to treat everyone equally, then, because some parts of the UK are significantly poorer than others, they can be felt to be inequitable.

Such considerations effect two powerful myths referred to in my main title, though by myths I mean ways people frame issues rather than simple falsehoods. First, that central government is a voracious consumer of taxation from across the UK, using that money to benefit the capital and South East England – the dreadful monster, in other words. Second, and in opposition, that central government has constantly subsidised provincial poor relations who have supposedly been unwilling rather than unable to pay their own way – that London is in fact a golden goose.

It is striking how resilient these myths have been. Why is that? Five major factors are at the heart of this history. First of the unions of 1707 and 1801, and the disunion of 1921 to 1922. At each of these moments, issues of public finance loomed larger than is usually allowed.

In the first, in 1707, the principles of both equality and equity of taxation were enunciated without giving much regard to how they might be reconciled. In fact, if Scotland became more heavily taxed after 1707, relatively little was collected there or sent to London before the 19th century.

This strongly influenced the terms of the 1801 Union of Britain and Ireland. But a key aspect, that Irish taxpayers were to send a pre-determined proportion of public expenditures to London, quickly became unsustainable because of the rocketing costs of Napoleonic wars and slower economic growth in Ireland. Complaints that Ireland was overtaxed were voiced loudly and frequently, especially after the income tax was extended there from Britain in 1853, feeding calls for Irish Independence.

When the disunion of 1921 to 1922 also threw up major public finance issues, both for separating off what became the Irish free state, and for establishing a devolved government to Belfast, a major consequence that soon became apparent was the commitment to public services in Northern Ireland should be at the same standard as the rest of the UK. In practice, that meant significant fiscal transfers from Britain to Northern Ireland.

Economic change, first of industrialisation, then of deindustrialisation, has been the second major development at work, especially because of the geographical complexity of these changes. As is well known, Britain's precocious industrialisation involved a shift of its economic centre of gravity onto its coal fields. Many parts of the UK, some of them once highly prosperous, were – to use current language – left behind in the process, including most of Ireland.

Often overlooked in this, however, has been the ability of London to grow demographically and economically. It was integral to the Industrial Revolution not apart, allowing the “dreadful monster” myth to survive.

[00:03:57] No less important, however, has been the process of deindustrialisation in the 20th century, which has set the challenge to government and society of how best to manage the process. Put crudely, should declining towns, cities and regions be allowed to wither, or should they be supported by fiscal transfers from more fortunate places? A significant aspect of this has been that challenges have been regional, not national in scope.

Important in this, thirdly, has been the rise of public expenditure on civil rather than military items. Until the middle of the 19th century, such civil expenditure was used only occasionally and pretty modestly as a means of addressing the friction between equality and equity in the geography of public finances. Notoriously, through political choice, it was completely inadequate to deal with the Great Famine in Ireland.

The rise of public expenditure on education, old age pensions, unemployment and health, with fairly common standards expected across the UK, has introduced a strong requirement for fiscal transfers to take place from its richer to its poorer parts. Regional and industrial policies are to be seen on top of such spending, often clearly undertaken to seek to weaken the forces of disunion, especially in Ireland and Scotland.

All of this is played out falsely amid changing relations between central and local governments. An important feature of the UK is that it has always been a highly centralised state. Devolution since 1999 has weakened that, but only to a limited degree.

One distinctive feature is the absence of systematic regional or provincial government in England, which might have helped dilute England's much greater heft within the Union State. But another has been the ways in which local government has become so dependent upon central government grants for income. If this involves, again, some social and geographical redistribution of resources, it has also eroded the independence of local government. The UK remains, even after devolution since 1999, a much more fiscally centralised state than most Western economies.

My final major development, and the one on which attention most usually focuses, has been the rise of identity politics. If this is most usually thought of now in terms of England, Northern Ireland, Scotland and Wales, it's worth noting the historic strength of belonging in the Highlands and Islands, along with regions like Greater Manchester or north east England.

It is when such identities are institutionalised, as with the creation of the Scottish Office in 1885, and the Highlands and Islands Development Board in 1965, or the rise of national political parties, such as the SNP and Plaid Cymru, that they begin to exert real purchase over critical decisions around taxing and spending, though the exogenous discovery and exploitation of North Sea oil was quickly seized upon by Scottish separatists to argue that Scotland could afford to go its own way.

The current state of the issues explored in my book are nicely summed up by the status of the Barnett formula for apportioning geographically some significant elements of public

expenditure. Developed in 1978, it uses changes in spending in England as the base from which to calculate changes in Northern Ireland, Scotland and Wales.

[00:07:52] Many analysts, including reports in Parliament and the formula's author, have shown that it's palpably inequitable, but because it supports much higher levels of public expenditure beyond England, it is tolerated, if with some grumbling both by unionist central government in London and by separatists in Northern Ireland, Scotland and Wales. The formula shows up nicely the power of political manoeuvring in the geography of the UK as a fiscal state and an unwillingness to adopt more reasoned and accountable arrangements.

As Brexit showed, the power of anti-federalism within England should not be underestimated. Muddling along has indeed been central to how the dreadful monster has dealt with its poor relations since 1707, and there's little sign that this will change any time soon.

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