Fiscal Powers Speeches

Ben Thomson Speech - Fiscal Powers Event London 4 February 2010

My lords, ladies and gentlemen

Welcome to the Reform and Reform Scotland joint conference on the future of the UK constitution.

Why, might you ask, is a Scottish think tank co hosting an event in London on the UK constitution- A good question. The Constitution and Scotland's position in the UK is a topic that we spend a lot of time debating North of the Border. Apart from countless conferences we have had in the last year, the 'Calman Commission' sponsored by Labour, Liberal Democrats and Conservatives; we have had the 'National Conversation' sponsored by the Scottish Government and more recently we had the debate around the referendum white paper. They are two inescapable truths. First that however much we talk, the ultimate decision to grant any further powers lies not in Holyrood but in Westminster; and second is that Scotland and its position in the UK is only one part of the jigsaw. Just as important is the UK's relationship with N. Ireland, Wales and England.

We need to open up the debate into clarifying particularly England's role in the UK and to address the thorny problems of the Barnett formula and the 'West Lothian Question'.
Therefore we at Reform Scotland believe that if further changes are to occur in the UK constitution, it is vital there is far more debate here in England on the subject.

Today's programme is split in two. The first half of the morning is to allow each of the senior party spokespersons to set out their parties' positions and how they think things should progress after the General Elections. Each speaker will have 10-15 mins followed by questions and answers. The first panel of speakers are the MPS:

Anne McKechin, Parliamentary Under Secretary of State at the Scotland Office
David Mundell, Conservative Shadow Scottish Secretary

Stewart Hosie, SNP Deputy Leader at Westminster
Alistair Carmichael, Liberal Democrat Shadow Scottish Secretary

There will then be a break of twenty minutes. The second half will look at the wider prospective and allow a panel of 3 speakers known for their challenging views to speak for 10 minutes each on how the constitution might develop.

You will find in your packs a delegate list of the speakers and a short piece about the two independent think tanks, Reform and Reform Scotland.

Reform Scotland has produced two papers on fiscal powers in Scotland and we were both interviewed and quoted in the Calman Report and the National Conversation. Our position has focused on how we get more accountable government at all levels. Our basic premise is that whoever spends our taxes should be responsible for raising them. All parties recognise that the Barnett formula is unpopular both sides of the border. We believe that the current system where 93% of taxes are raising by Westminster but 60% of the money is spent by Holyrood through a budget derived from Barnett formulas that neither incentivises politicians to be efficient nor makes them properly accountable to the public.

Approximately £50bn of public money is spent in Scotland each year, about £30bn by the Scottish Government and £20bn by UK on Scotland. Our paper sets out how taxes could be split so that the Scottish Government takes responsibility for the £30bn it spends and the UK for the £20bn it spends. Both would be able to adjust the rates of the future taxes they raise.

Let the politicians debate and the public decide on where defence, foreign affairs or self determination lie, at a Scottish, UK or even European level, but what our paper promotes is that devolved powers should be matched by fiscal devolution if we want to have greater accountability and hopefully more efficient government.

I now pass you to your first speaker.

David Mundell MP, Shadow Secretary of State for Scotland
4th February 2010

Check against delivery

I am grateful to Reform and Reform Scotland for holding this event.

That is no idle platitude. What Andrew Haldenby and Geoff Mawdsley have put together here is unique…

Not only in the range of speakers but also in the choice of London as the venue.

Scottish politics has its detractors in London. They view Scottish politics as being somehow like *Fight Club*.

If "what happens in Fight Club stays in Fight Club", then what happens in Scottish politics should stay in Scottish politics.

Those detractors tend to look in on the Scottish political debate and think that, like the Bourbons, Scottish politicians "have learned nothing and forgotten nothing".

They see only the same old arguments… about national identity… about statistics quantifying the value of the "Union dividend" or "Scotland's oil".

However, I believe Scotland's politicians have learned a lot in the decade since devolution began.

The debate is beginning to mature and to change.

<u>There are three changes that have influenced my thinking on the issue of fiscal powers</u>

First and most importantly, support for Scotland's place within the UK is now clearly the "settled will of the Scottish people".

Time after time, opinion polls are showing support for separatism at its lowest for 30 years.

Even the SNP is in no hurry to discuss an independence Bill.

The First Minister did not unveil it with a bang on Burns Day, as had been expected.

Mr Salmond chose instead to unveil the 251st new school building project.

His Deputy unveiled the new dental practice in Strathbungo!

Those are down-to-earth, practical political choices and, if they were made for genuine reasons, then I support them.

It is clear that there now exists a *new constitutional reality* that the SNP is having to come to terms with.

So that is change number one.

The second change has primarily been one for the Labour Party to adjust to.

It's the increasing focus that has been put on the relationship between Westminster and the new devolved institutions.

When Labour set up the Scottish Parliament, they appeared to take it for granted that there would always be a Labour Government in the UK and *certainly in Scotland*.

As a result, they failed to set down formal or institutional means for ensuring effective cooperation between the two Parliaments and Governments.

The election of an SNP devolved administration in 2007 and the prospect of a Conservative UK administration has drawn attention to what a mistake that was and to the urgent need to correct it.

So that is change number two.

<u>Finally, there is a *third change* that we need to consider.</u>

And this is the one that I'm sure we all agree on.

It is that the Scottish Parliament has been successful at establishing itself as a fixture of Scottish public life.

Abolition? Federalism? A second chamber? Changing its voting system? All subjects that are now considered extremely eccentric…

In short, devolution works and it's stable.

Who would have thought in 1999 that, just a few years later, we'd be able to think of the Scottish Parliament as something more than a £400m saga writ large in concrete and bamboo?

Now this could just be because Labour has given people a whole list of more recent botched projects to talk about – the Olympic site, the NHS national computer, the ID card scheme, almost every defence procurement project you care to mention.

But no, I believe that the reason is that the Scottish people have put their initial cynicism aside and embraced the devolved institutions as part of Scottish public life. And my party has adjusted to that..

<u>So, to recap,…</u>

- the strengthening of the Union,

- the worsening of intergovernmental and inter-parliamentary relations

- combined with the overall success and stability of the Scottish Parliament so far…

those are the three things that have shaped my thinking on fiscal powers.

I was pleased to see that these themes have also played a huge part in how the Calman Commission approached the issue. **The Conservatives co-founded the Commission and I say again that we welcome its report.**

Firstly, strengthening the Union was not just the first theme of the Commission's consideration but its central tenet.

And so for my party the initial test to which we are subjecting all the proposals that have emerged from the debate surrounding the Commission is a very simple one…

"Will this proposal undermine the Union or put it at risk?"

If the answer is "yes", then we won't take the proposal any further.

That's why, when it comes to fiscal powers, we reject full fiscal autonomy.

Even before I mention its repercussions for the Union, full fiscal autonomy has one glaring problem to deal with.

None of its advocates can agree on what it actually means.

Many struggle to answer how, specifically; full fiscal autonomy might be achieved.

Instead, they fall back on the well-known elephant test.

Fiscal autonomy, like the elephant, is a creature that is hard to describe, but will be instantly recognizable when one chances upon it.

Now, this might be a perfectly fine definition of the elephant.

For a while, it was even the definition used for pornography under the US Constitution!

However, I don't see how it is sufficient to help us reshape the financial relationship between the nations of the UK.

The big obstacle in moving to full fiscal autonomy, is that *genuinely* full fiscal autonomy would, by definition, mean that all money spent in Scotland had to come from Scottish tax revenues.

And that would, at a stroke, create a multimillion pound black hole in the Scottish public finances.

As far as I am concerned, no-one has yet suggested a convincing way to deal with that.

But the more powerful argument against full fiscal autonomy is that one *wouldn't actually* want to move to it even if one could do so *with no difficulty at all*.

I believe that because I believe in the United Kingdom.

One of the three key benefits of the Union is that it spreads resources and risk.

Full fiscal autonomy, however, would end completely the spreading of financial resources and risk across the UK.

That gives the public spending answers to: geographic remoteness, economic disadvantage, the peaks and troughs in oil taxation, and unexpected shocks like the need to bailout RBS and HBoS.

It should not be dismissed lightly.

The Calman Commission was therefore right to say that full fiscal autonomy would strike at the core of the Union and should be ruled out.

<u>The Commission looked also at how the second issue that I mentioned –intergovernmental relationships– affects the fiscal powers question.</u>

I am convinced that fiscal powers can work, but that they will have to be introduced with a lot of give and take, because no-one can model exactly how they'll pan out. The sums involved are so significant that even a slightly wrong estimation can be magnified into significant and entirely unintended cuts or windfalls in public spending.

I firmly believe that the fiscal powers given to the Scottish Parliament should not be toothless.

And, if they're not toothless, then there will inevitably be teething troubles when they are introduced.

The UK and Scottish Governments need to have a relationship that is sound enough to get through this.

There is also potential for issues beyond the short term. What if the UK Government wants to abolish or fundamentally change a tax that is devolved or assigned? What if it wants to introduce an entirely new tax?

The Scottish Government will have a legitimate interest in negotiating how those decisions affect the "basket" of devolved and assigned taxes.

So, certainly, we need to improve the relationship between Holyrood and Westminster so that devolution can adapt to new fiscal powers.

As Sir Kenneth Calman himself has said,

“It is difficult to introduce a new financial package without having good intergovernmental relations”.

It is partly because we want to see new fiscal powers introduced that the Conservative Party has lead the way in setting out how to create those good relations.

Our proposals for reinvigorating the Joint Ministerial Council, for more frequent bilateral meetings and for Scottish and UK Ministers to appear before one another’s parliaments in many cases *foreran* recommendations made by Calman and in some cases go *even further* than Calman.

Finally and most importantly, I said that the third change in the last ten years had been the success with which the Scottish Parliament had established itself and the way that the Conservative Party has changed around it.

First, the Scottish Parliament:

The acceptance and stability of Holyrood obviously sends a straightforward signal on fiscal powers: there are strong foundations on which to build and a capacity for the Scottish Parliament to handle more.

Now, let’s talk about the Conservative Party.

The Conservative Party has learned a lot in the last 10 years. Under David Cameron’s leadership in particular, we have *changed* as a party. Nowhere is that more true than in our attitude to devolution.

Devolution is now recognized as having a place front and centre in the Conservative way of thinking.

Localism is one of David Cameron’s most frequent themes.

He has said:

“We should start by pushing political power down as far as possible… With every decision government makes, it should ask itself… how far can we push power down”.

In Scotland, Wales and Northern Ireland, we see devolution as being a first but hugely significant step that *has already been made in that power shift*. Far from wanting to reverse it, we want to build upon it.

The reason that we want to do this is because we recognize that the power of the central state to effect meaningful change over people's lives is severely limited. We appreciate that a much greater degree of local control allows communities to apply solutions best suited to meet their needs. Accordingly, we want decisions to be taken as closely as possible to the people that they affect.

All very well, but does that extend to financial powers you ask.

Well, let me do the politician’s trick and ask you a question in return.

It’s a tough one…

“Do you think a right-of-centre political party believes that institutions should be financial accountable…”

…especially in a time of unprecedented scrutiny of public spending?”

Now take as long as you want with this one…

The answer is “of course”!

So what are the benefits of fiscal powers then?

I believe that the main one would be the bringing of a more balanced debate to the Scottish Parliament chamber.

Gone would be the focus on getting money out of the door of St. Andrew's House as fast as possible.

Instead, money could be saved and returned to taxpayers in the form of reduced taxes. Equally, it could be used to bring down borrowing.

This is quite a different argument to the "incentive" one, but the end result is the same – good news for businesses and people who are net contributors to the public purse.

There would also be another benefit, one which would do much to end the squabbling which has seemed to characterize Scottish politics in recent decades.

Quite simply, if Alex Salmond wanted to spend more money on giving out free prescriptions to millionaires or whatever his latest target for largesse might be, then he would be able to put up taxes to raise the money required.

What he *couldn't* do was continue to blame every failure to deliver on the fact that the UK Government wasn't giving him enough money.

The politics of grievance would have to give way to the politics of tough choices.

Now where would the Conservatives stand in the politics of though choices?

Well Iit's part of our DNA to stand in elections under the banner of tax cuts. We obviously won't be able to promise those in the current climate, but we'd like to stand under that banner in Scottish Parliament elections one day. So we have more to gain politically than most from fiscal powers for Holyrood and that's another reason why they are a natural thing for us to support.

There is a real challenge here for the SNP though.

It is calling in a completely unmeasured way for more fiscal powers, yet seems utterly at a loss as to what sort of economy it would use them to create.

On the one hand, the SNP says that an independent Scotland would have the public services of Scandinavia, where, on average, the tax burden is one and a half times that of the rest of the OECD.

On the other hand, the SNP says –or used to say, until recent events made it look foolish– that an independent Scotland would have the "Celtic Tiger" economy of Ireland, where tax was slashed from 53% in 1986 to 35% in 2006 and where the vast majority of people need to pay just to see their GP.

<u>So if the Conservative Party is clear that it not only wants fiscal powers but also knows what it wants to use them for, that leads on to the question of which fiscal powers and when.</u>

We have said as much as we can responsibly say from Opposition on this.

We welcomed the Government's White Paper. We have already committed to taking forward the substance of all the major recommendations of Calman on non-financial powers and on relations between Westminster and Holyrood.

We have said that we welcome the Calman recommendations on finance and will use them as a starting point. We have accepted the need for borrowing as well as taxation powers, but given how close the White Paper was published to the General Election, it is only reasonable that we should be able ourselves, if in Government, to have proposals fully scrutinized by the Treasury before moving forward.

Creating fiscal powers is something that is technically very complex. We cannot just say *anything*, because we need to get it right. Unlike the SNP and Liberal Democrats, we have a realistic chance of forming the next UK Government and therefore of having the very great responsibility of taking forward this work.

David Cameron has said that a Conservative Government will set out how it will implement the Calman proposals before the 2011 Scottish Parliament elections.

I look forward to hearing your views on doing just that.

Stewart Hosie Speech

Can I thank Reform Scotland for arranging today's debate on the UK constitution and giving me the opportunity to make my case.

And in doing so answer the real question which is not should we have constitutional change – but what constitutional change.
Unsurprisingly, I will make the case for why Scotland should be independent.

First and foremost, Independence is the natural condition for a nation like Scotland. Most small nations in Europe and around the world are nation states – they govern themselves.

They are not too small, too poor or too stupid and neither is Scotland.

Indeed, because Scotland has been blessed with so much in the way of natural resources, and because we have a starting point of a mature democracy and already independent institutions, our ability to move forward – as quickly as the people want – and to start to deliver for all of the people who live in Scotland – puts us at a massive advantage over many of the other Nations who have become independent over the last 100 years.

So practically we can do it – the issue is, for most people, will it be beneficial – or does the Union offer us more – would the very limited addition of the Calman proposals be enough or is their a federal solution which might satisfy the demands for change.

Well, one thing I'm certain is clear, is that with more powers for the Scottish Parliament, we can grow our economy, deliver more

opportunities for individual and national success and ensure a brighter future for all of us. It's time to make progress.

Now I want to address one of the key issues in some detail – that of the economy. The primary argument from the Unionist camp is that we need the alleged strength of the UK economy to prosper and provide the tax base for the social provision our people demand.

I argue that is wholly false.

There are many indicators used to measure the economy – a key one is growth. We know that Scotland's growth rate has consistently been as much as 30% behind that – even of the UK.

We know that UK fiscal and industrial policy has failed – not only to deliver UK growth rates – but has allowed Scotland to fall spectacularly behind the growth levels we saw comparable European nations.

It is independence (or at least full fiscal autonomy) which would allow a Scottish Government to develop and implement policies for sustainable economic growth tailored to what Scotland needs

The second economic argument unionism deploys is that Scotland could not sustain the debt it would build up in order to deliver the needs of the people.

This argument is possibly the most wrong, most misleading and most insulting argument that unionism deploys. In short they argue that Scotland is poor and needs a UK subsidy to survive – depending on the Politician talking that subsidy is anywhere between 2 and 15 billion a year.

Well here are the facts.

Even before the recession and the banking crisis, the UK had a cumulative deficit of £500 billion. To bring that up to date, the figure is £1 trillion this year and rising.

It had annual borrowings of £35 billion. These are forecast to be £178 billion this year.

Using these figures according to recognised methods for international comparison shows the UK deficit forecast approaching £1.7 trillion - A debt of over 90% of GDP in only a few years time.

And what of Scotland before the recession –

Well we know that for the best part of the last thirty years Scotland has been in surplus.

The first confirmation of Scotland's healthier fiscal position came in a parliamentary answer by the Chief Secretary to the UK Treasury, William Waldegrave in 1997.

Using the UK's own assumptions for tax revenue and spending, but including Scotland's share of North Sea Oil receipts, this answer revealed that between 1978-79 and 1994-95 **Scotland had a cumulative surplus of £27.6 billion, or £34 billion in today's prices.**

At the same time the UK already had a debt of more than £330bn.

In 2002, a new analysis by the Constitution Unit for the previous 20 years confirmed this position, with the UK running up a massive deficit while **Scotland was in surplus by over £24 billion in the 1980's and 1990's**.

Since then the work of Oxford Economics and Reform Scotland confirm the view that the Scottish economy was broadly in balance – about £50 billion in – about £50 billion out. As does the publication of the most recent GERs figures in June this year which assesses a three year Scottish surplus up to 2007/2008 of £2.3 billion.

But of course this should not surprise us. According to secret UK government papers from the 1970's, ministers in London knew that Scotland would be in a better financial position than the rest of the UK. They said one thing in public – maintaining the myth that

Scotland was subsidised - while in private their civil servants were telling them this:

"What is quite clear is that the balance of payments gain from North Sea oil would easily swamp the existing deficit whatever its size and transform Scotland into a country with a substantial surplus."

So "..for the first time since the Act of Union, it can now be credibly argued that Scotland's economic advantage lies in its repeal."

By 2005/2006, this long-term position was confirmed. Scottish taxes came to £50.52 billion while spending was just £49.15 billion, **an absolute surplus of £1.37 billion or almost £270 for every person in Scotland**.

Indeed the most recent GERS figures confirm a current account surplus of £219 million in 2007/08.

The Unionists economic arguments for no change - simply don't stack up.

Even their most recent attempt to talk Scotland down has badly misfired.

The Scotland Office has produced a report with a £14 billion hole in it.

They have produced a document which drastically underestimates Scotland's fiscal position. Even a quick analysis of the Scotland Office report, entitled 'Expenditure and Revenue in Scotland' (ERRORS – or ERS for short), shows that it has understated Scotland's revenues by approximately £14 billion in 2007/08. This has been done by excluding money raised in Scotland, while at the same time adding "phantom" spending on the other side of the balance sheet.

ERS claims to be based upon the National Statistics publication, Government Expenditure and Revenue Scotland (GERS). GERS is subject to strict guidelines and is compiled in line with National Statistics protocols. All public sector expenditures and revenues are presented in a manner which is consistent with UK National

Accounts. All figures and sources are clearly explained and estimates are undertaken by Government Statisticians. The Scotland Office report departs from this assessment, and in doing so makes a number of significant methodological errors. This means that the results give an inaccurate (and misleading) picture of Scotland's public finances, and are not comparable with published GERS figures, or UK Fiscal Accounts.

For example:

The report unilaterally excludes a number of important taxes and revenues which are raised in Scotland, and are used to fund public services both in Scotland and at the UK level.

In addition to oil revenues, the analysis also excludes elements such as the surpluses from public corporations, the fossil fuel levy, water charges, 3G mobile licence fees, the television licence fee, rents, regulatory fees, renewable energy obligations, fees from the rail franchise, passport fees, revenues from the National Lottery, and a whole host of other smaller UK tax revenues. In total, the report underestimates Scottish revenues, including a geographical share of North Sea revenues, by approximately £14 billion in 2007/08.

In assessing expenditure and revenue in Scotland, the report excludes council tax revenues but includes spending by local authorities in Scotland. This creates an artificial funding gap within the local authority sector of approximately £2 billion in 2007/08.

The report claims to isolate depreciation and other non-cash elements from Scotland's public sector accounts. In GERS, as with all National Accounts, depreciation enters as a balancing item (as a revenue in Gross Operating Surplus [GOS] and as an expenditure in the 'Accounting Adjustment'). However, the Scotland Office analysis arbitrarily excludes depreciation on the revenue side by omitting GOS but includes it on the expenditure side through the 'Accounting Adjustment'. This creates a 'phantom' expenditure of approximately £1.5 billion in 2007/08 which does not actually take place.

The time series analysis is subject to error, as it uses various GERS publications not on a like-for-like basis. For example, in addition to

data and methodological revisions, figures for 2001-02 to 2007-08 are now presented on an accruals basis whereas those for 1999-00 or 2000-01 are presented on a cash basis. This leads to an inaccurate time series analysis.

Finally, the report claims that there is a net fiscal transfer from the rest of the UK because expenditures exceeded revenues in Scotland.

Irrespective of other factors, this is a misinterpretation of public sector accounts. During this time, the UK Government – in line with most other countries – consistently ran fiscal deficits. Indeed, earlier analysis by the Scotland Office shows that between 1980/81 and 2007/08, Scotland ran a net fiscal surplus in nine years versus the UK's six.

The Scotland Office estimates that between 1980/81 and 2007/08, Scotland ran a cumulative deficit of £23.5 billion. Over the same period, HM Treasury figures show that cumulative UK net borrowing was £462.6 billion (£627.7 billion in constant prices).

A per capita share allocated to Scotland would be £38.9 billion (£56.5 billion in constant prices) – twice that (i.e. worse) implied by the Scotland Office – which means that the flow of resources is north to south, not the other way round.

Additionally, in contrast to Scotland Office claims, GERS figures show that Scotland ran current budget surpluses in each of the three years to 2007/08, worth a cumulative £2.3 billion, including a geographical share of North Sea revenues. In contrast, the UK recorded a deficit of £24 billion over the same period, and last managed a current budget surplus – including a 100 per cent share of North Sea revenues – in 2001/02.

This was a ham-fisted attempt to do Scotland down and offers nothing in the way of real information upon which to make a decision on Scotland's economic and constitutional future.

But if I can go back for a moment to the comment earlier from the UK Government in the 1970s when they talked about Scotland having a balance of payments gain which would swamp the existing deficit.

We don't here much about the balance of payments today.

Well, here are the figures – again to just before the recession started.

In 1997 the UK had a balance of trade surplus of £1.7 billion, by 2000, it was a deficit of £19 billion and by 2006, the deficit had rocketed to £54 billion.

This year the deficit in the trade in goods alone had rocketed to a colossal £93 billion.

So there is no Union dividend – just a cost.

And one of the key reasons I want to see Scotland Independent is to be able to take the key fiscal decisions to re-structure the economy so that we do not have such a balance of payments deficit – which has suppressed GDP growth every year since 2000.

So that we can have the correct fiscal regime to encourage investment rather than being tied to a UK which has been bottom of the OECD heap for capital investment for the past 6 years – which has beaten only Argentina and Brazil in the investment stakes on the broader G20 list since Labour came to power and which has seen GFCF below the EU average every year since 1997.

But I want to bring the economic argument right up to date and answer the question, would an independent Scotland have done things differently and better?
Well I argue that we would have had an oil fund to cushion the blow and money in the bank (or at least much lower debt levels) leaving something in the tank other than borrowings which our children and grandchildren will be paying for to stimulate the economy.
Of course, unionists will argue that small economies were affected at least as badly as larger ones – and that is of course true.
But to bring that story right up to date, While the UK will have a massive budget deficit next year, the OECD – only last August, reported that even Ireland will have a surplus of $2.1 billion, Finland a

surplus of $1 billion, Norway a surplus of $84 billion. Even much maligned Iceland will have a deficit at less than that of the UKs. Every single one of these countries will have a balance of trade surplus while the UK will continue with $50 billion plus deficits.
So of course small countries were affected by the recession and the banking crisis – but they have shown the flexibility to turn things around.

The UK is still in a trough – struggling to dig its way out – and is dragging Scotland down with it.
Scotland needs to be independent to be able to restructure our economy

And to be independent to make sure we never enter another downturn so catastrophically ill-prepared as the UK was this time.

Rt Hon The Lord Wallace of Tankerness QC, former leader of the Scottish Liberal Democrats and former Deputy First Minister of Scotland Speech

I should like to address the question as to how the UK's constitutional settlement should develop in the light of my experience of the Calman Commission, and in particular, picking up the challenge from Frank Field on what has sometimes been referred to as the West Lothian Question, but what is better described as the English Question.

As a response to the establishment of devolved institutions in Scotland, Wales and Northern Ireland, we have seen a growing interest in the English dimension to a very asymmetrical union.

Sir Malcolm Rifkind has proposed that English-only measures should be referred to a binding vote of an English Grand Committee. I can only speculate what his reaction would have been if, in 1987, when he was Secretary of State for Scotland, his poll tax bill had been referred to the Scottish Grand Committee for a binding vote.

"English votes for English laws" however does appear to have found favour with the Conservative Party, and we may be looking at its possible introduction before too long.

In my view, it is ill-advised and ill thought-out.

What is an English law? Issues such as hunting with hounds or the smoking ban are relatively clear-cut.

However, the introduction of top-up fees in English universities is often cited as an example of purely English law, carried by Scottish votes. I was the Scottish minister with responsibility for higher education when that was passed – and I can tell you that it had implications for Scotland. Moreover, a number of clauses in that Bill did have applicability to Scotland.

But it is more complicated, even than that. Given that all MPs have an interest in taxation and funding commitments – and that spending in Scotland is currently determined by domestic spending in England, Scottish MPs can claim a legitimate interest. I don't believe that earmarking certain bills as 'English only' is quite as straightforward as all that.

Let's also try to imagine a party with a majority at Westminster being obliged to become emasculated by a separate procedure and, effectively a separate parliament, for a large part of the domestic agenda. Inevitably it would lead to calls for a separate executive. Simply to suggest that you could have one Parliament served by two executives highlights just how unworkable the proposal would be.

So what does England want? I'm not sure we've yet had a clear answer to that.

An English Parliament would inevitably be in competition with the UK Parliament, and thus a recipe for instability. Moreover, an English Parliament does not address the key issue of over-centralisation in England. Decentralising power within the UK was an important consideration and motivation for those of us who campaigned for a Scottish Parliament. And although the people of North East England rejected a regional assembly in their 2004 referendum, when the Calman Commission took evidence at a session in Newcastle-upon-Tyne, we heard many voices bemoaning the remoteness and insensitivity of London.

English regional assemblies also appear to be well off the agenda following the dismal outcome of the North East referendum.

Obviously, as a Liberal Democrat, I aspire to a federal solution for the UK; but it would be unwise to ignore some of the difficulties with federalism. Not least is the imbalance in the size of the four constituent countries. No federal country has one of its constituent members which accounts for 85% of the whole.

That said, our constitution is evolving in a federal direction in practice if not in theory. Whatever theory might say about the sovereignty of Westminster, in practical terms it is inconceivable that the Scotland Act 1998 could be repealed without the consent of the Scottish Parliament.

The Sewel convention that Westminster will not legislate in devolved areas, except with the express consent of the Scottish Parliament, has been a successful feature of the devolution settlement. At what stage does that convention become enshrined as part of the constitution?

Theoretically Westminster could have reversed the smoking ban legislation passed by the Scottish Parliament. In practice, it is unthinkable that it would try to do so.

But as we evolve towards an asymmetrical union, it seems to me that there are two key English concerns which need to be addressed:

- Our voice is no longer being listened to and
- There is a funding imbalance

In relation to the former, for reasons I've already outlined, I doubt very much whether an English Parliament or English votes for English laws is going to address the issue of centralization. And if English regional assemblies are off the agenda, we need to be more imaginative in how we pursue a much more robust localist agenda, which will genuinely decentralize within England, and give people more local determination.

With regard to funding, there is an acknowledged difference in per capita funding among the different countries of the UK. However, this can overlook the differences which can exist within England. And it is also important to remind people that the creation of a Scottish Parliament has not led to one penny more in funding for Scotland, than would have been the case under the pre-1999 arrangements.

Arguably there has been less, as the funding of the Scottish Parliament is a call on the Scottish budget; and there is evidence of Scotland losing out on 'consequential' funding, such as the funding made available for the English prison estate, and the urban regeneration funding made available as part of the Olympics package.

And whilst English concerns may have been fuelled by free personal care in Scotland or free university tuition, again I would stress that there is no constitutional reason why England has not had free university tuition for the last ten years, or free personal care. That has been a political issue – not a constitutional one.

I also believe that if Scotland makes the political choice to have free tuition, it must bear the consequences in terms of securing sufficient funding for our universities from its budget – as indeed did the previous Lib Dem-Labour administration.

This underlines the importance of financial accountability, which was part of the remit of the Calman Commission.

I believe that the Calman proposals will be healthy for Scotland's democracy, by changing a culture of accountability solely for how taxpayers' money is spent into one where there is much greater responsibility and accountability for how that money is raised.

And viewed from other parts of the UK, the Scottish Parliament must be seen to take more responsibility for raising its revenue. That is why the Calman Commission made some very far reaching proposals for greater tax devolution and increased borrowing powers. And whilst I have some reservations on some of the detail of the UK Government's response to the report, I think it is to their credit that they have brought the Treasury on board. It was disturbing therefore to hear David Mundell, at the earlier session say that a Tory Government would go back to the Treasury for further discussion on the tax proposals. I wouldn't give them a second chance to stymie the Calman proposals.

It went beyond the remit of the Commission itself to devise a formula to replace or alter the Barnett Formula, but we did recommend that there should be a review of the needs basis of the distribution of funding across the UK. I believe that greater transparency in tax raising by the Scottish Parliament, coupled with a new needs assessment for the whole of the UK, we can go a long way to addressing some of the apparent grievance in England over the Scottish Parliament's spending.

There is one further point, which I believe is worth making in the context of perceived unfairness to England in the UK Parliament. The figures are quite stark – there are 529 MPs representing English constituencies and 59 MPs representing Scottish seats. By no stretch of the imagination can anyone claim that English MPs are swamped by their Scottish counterparts. If there was a matter of real territorial importance, England would win hands down every time. That that is not the perception is a reflection that our politics don't divide on territorial grounds - and maybe that's a mark of the Union's success over 300 years. Rather the division is on party grounds. And whilst one might expect a Liberal Democrat to say this, a system of proportional representation for Westminster would go quite a long way to ending the strong bias to Labour in Scotland seen in most recent general elections. It can't be right that a Conservative Party, with the support of one in six in Scotland at the 2005 election, only won one seat. Moreover, a proportional system would ensure that all parties have a stake in all parts of Britain, which can only be healthy.

But I leave the final word to Lord Acton, the Liberal politician at the turn of the twentieth century:

“A great democracy must either sacrifice self-government to unity or preserve it by federalism. The co-existence of several nations under the same state is a test as well as the best security of its freedom.”