

# THE CAUSES OF BRITISH DISUNITY



**RODERICK MOORE**



Libertarian Alliance supporters may be familiar with the conspiracy theory magazine *Lobster*, which is published twice yearly by Robin Ramsay. As a rule, I am not a great fan of it, because the trouble with Robin Ramsay is that he is always whitewashing the communists and blaming Britain and America for everything that is wrong with the world. Every time I read *Lobster*, I get the impression that sooner or later I am going to come across an article claiming that Stalin's purges were really committed by MI6, or that the Khmer Rouge massacres were really committed by the CIA. However, once in a while it comes up with a valuable flash of inspiration.

## THE TWO CONFLICTS WITHIN BRITAIN

In 1999 the Libertarian Alliance published a pamphlet of mine called *The Prospects for British Unity*, in which I discussed the implications of Scottish nationalism. In it, I argued that the real problem with Britain today is not domination by England but domination by London, and the solution is to have several regional parliaments in England. Since I

wrote it, I have reconsidered what I said, and I now believe that I was only partly right. I went wrong because I did not distinguish between two different conflicts, a cultural conflict between England and Scotland, and an economic conflict between South-East England and the rest of Britain.

Robin Ramsay is relevant to this subject because of an article called "Contamination, the Labour Party, Nationalism and the Blairites", which he published in *Lobster* in 1997. In it, he observed that:

It is my experience that this Welsh and Scottish nationalism is not even anti-English. Scottish and Welsh nationalists don't see people in the North (or Midlands, or East, or West) of England as their oppressor. Their oppressor is in London and the Home Counties — the English establishment, which at its core is the City of London, and what might be best described as the overseas lobby in Britain — the financial, political, administrative and cultural remnants of the British Empire.

(Ramsay 1997, p. 3)

He explained that there is a conflict between South-East England and the rest of Britain because in and around London the economy is based on banking and other financial services, while in the rest of the country it is based on manufacturing. Bankers lend money and manufacturers borrow it, so one side wants high interest rates while the other side wants them low. In his own words:

The policies sought by the City — no controls on their activities and high interest rates to keep the pound high and attract money to London — are antithetical to the domestic and exporting economy. (Ramsay 1997, p. 4)

I now realise that the political geography of Britain today is determined by the relationship between these two conflicts. The general rule is that the further away from London you go, the less support there is for the Conservatives and the more support there is for the Labour Party, because the importance of financial services in the economy declines in re-



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lation to the importance of manufacturing. This tendency is strongest in Scotland, which is furthest away from London. However, the economic factor alone is not enough to give rise to separatist political movements; it has to be combined with the cultural factor. There are Scottish and Welsh nationalist parties, but there are no Northern, Midland or Wessex nationalist parties in England. Scotland and Wales were once independent nations, and they still have their own institutions, traditions and ways of life which are slightly different from those of England. On the other hand, the opposite is also true; the cultural factor would not lead to separatism without the economic factor, as Ramsay points out.

### THE SOLUTION: MONETARY REFORM

Having diagnosed the problem, we now have to find a solution. The conflict between manufacturing and financial services is all a matter of interest rates. In a way, this is just one example of the conflict between buyers and sellers which is universal in the free market. Buyers always want low prices while sellers want high prices. For example, there is a conflict of interests between companies which make cement and building firms which buy it, and between companies which make sheet steel and car manufacturers which use it. However, money is different for two reasons. Firstly, it is used by everyone for everything, unlike cement and sheet steel, which are only used for certain limited purposes. Secondly, it is issued by a state monopoly, so its price cannot be determined by supply and demand, but has to be set by the government (or the central bank, which is an agency of the government). This is why the cost of borrowing money is a political issue, while the cost of cement or sheet steel is not.

There is one more factor which has to be taken into account. Since the Great Depression, Britain, like every other country in the world, has used fiat money, that is, paper money which is not only issued by a state monopoly but is irredeemable in any commodity. On a commodity standard, an excessive amount of paper money can be removed from circulation by redemption in gold or silver, but with fiat money, the only mechanism by which the government can limit the money supply and stop inflation is the interest rate. Fiat money means that the interest rate has to be higher than it would otherwise need to be to prevent inflation. Because of fiat money, the economic conflict between the South-East and the rest of Britain is much worse than it would otherwise be. The distinctive economic characteristics of the South-East mean that the Bank of England often has to raise interest rates to prevent inflation taking hold there, which hinders the revival of manufacturing in the rest of the country, leading to recurring complaints from politicians and trade unionists in the manufacturing regions.

This all means that the only solution to the problem of British disunity is monetary reform. Being a socialist, Robin Ramsay cannot offer any solution except state intervention in the economy, which would only deal with the symptoms of the problem, not the cause. Regional parliaments for England, which I proposed in *The Prospects for British Unity*, would also deal with the symptoms without affecting the cause. In my opinion, the best way of reforming the currency would be to introduce a free banking system based on a composite commodity standard with indirect redeemability in gold. (For a more detailed discussion of how this would work, see Moore 1994 and Moore 1996.) Free banking would mean that the interest rate would not be a subject

of political controversy, but would be determined by supply and demand in the free market, just like the prices of all other goods and services, while the composite commodity standard would ensure that the money supply was in proportion to the needs of the economy, with no need for exorbitant interest rates to prevent inflation.

Of course, this scheme is too radical to be part of the mainstream of political thinking at present, because it would in fact mean privatising money. A few economists are working on the idea, most of them in America, although here in Britain we have Kevin Dowd at Hallam University, Sheffield. However, it will take a while yet before it becomes politically possible. In the meantime, unionist patriots will have to do the best they can within the limits of the present monetary system. Despite the panicky reactions of some Englishmen to Scottish nationalism, this is not an impossible task. In the first Scottish Parliamentary election, the SNP got 28% of the vote on a turnout of 58%, which means that only 16% of Scots actually wanted independence strongly enough to bother to vote for it. Clearly we are not dealing with an irresistible force.

### THE CASE FOR AN ENGLISH PARLIAMENT

One problem which will have to be dealt with as soon as possible is the imbalance in the British political system caused by the Scottish Parliament. Thanks to the Labour Party, we now have a system in which Scottish MPs at Westminster can vote on English affairs, while English MPs cannot vote on Scottish affairs because the Scottish Parliament is responsible for them. The only way to straighten out Tony Blair's cockeyed constitution is to set up an English Parliament with exactly the same powers as the Scottish Parliament. This would probably be much more acceptable to English opinion than several regional parliaments. In fact, it would be preferable if England, Wales, Scotland and Ulster all had parliaments with identical powers, so that Britain would have a federal constitution. This would admittedly be a radical departure from previous practice, but on the other hand, we wrote federal constitutions for Canada and Australia when we granted them dominion status, so there is no reason why we cannot do the same thing for ourselves. Perhaps a federal system would be the best way of expressing the distinctive sense of identity of each part of Britain.

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