

Devo-max with an unaccountable English central bank is ...

Published: January 13, 2026, 4:33 am

The [Guardian reported](#) last night that:

The governance of England, Scotland, Wales and Northern Ireland should be reinvented within a new voluntary union in a bid to save the UK from disintegration, an independent all-party group of experts will argue this week.

The Constitution Reform Group, convened by former Conservative cabinet minister Lord Salisbury, is to make the the case for radical constitutional change in the UK by claiming the need has been boosted by the vote to leave the European Union.

They added:

Their proposals say the existing union should be replaced with fully devolved government in each part of the UK, with each given full sovereignty over its own affairs. The Westminster parliament, the group says, should then be reduced to 146 MPs.

And:

The group proposes that the shared UK functions would include the monarchy as head of state, foreign affairs, defence, national security, immigration, international treaties, human rights, the supreme court, a single currency, a central bank function, financial services regulation, income and corporation tax powers, and the civil service.

Other functions of the existing UK would be controlled by the nations and regions, creating what would in effect be a sovereignty-max solution to the national question in the UK, similar in effect to the “devo-max” proposal that has often been canvassed in Scotland.

There is, of course, no chance that the Bill that the backers of this proposal say will be published this week will ever become law, but the fact that some serious, if largely retired, politicians think this idea worth putting forward without having any understanding of the consequences is deeply worrying.

Let me be clear, I am not opposed to devolution. Many aspects of it appeal to me, a lot. But any suggestion of devo-max that ignores the macro-economic impacts of what is being proposed is irresponsible, at best, and this proposal seems to do that.

As I explained in *The Joy of Tax*, just as we now know that we misunderstood money for about 320 years (until the Bank of England admitted its error in April 2014 when they accepted that loans create deposits and not the other way round) so too have we also misunderstood tax. Tax does not, never has, and never will pay for government spending. Tax reclaims the money that the government has spent into the economy to prevent inflation. In the process of making that reclaim social, fiscal and other policies are advanced by the choices made on who repays the benefit of the spend incurred, and whether the repayment is required of the same person who enjoyed the benefit of it.

The evidence for this claim is twofold. One is a simple thought exercise. Given that the government requires payment to be made to it in sterling, which is the official currency that only the government can ultimately supply (even if via regulated private banks) then how could tax ever be paid if the government had not spent the money required to make settlement of it first? The spend has to come before the tax, in other words.

Second, that tax is not the pre-condition of spending should be obvious: we have been running deficits almost continuously since 1694. In other words, we have never relied solely on tax to fund spending precisely because we do not need to do so.

In that case though the suggestion of devo-max whilst control of many taxes and the central bank (which inevitably, therefore means monetary policy) remain centrally controlled makes no sense at all.

Surely we have learned this by now? If the Euro has taught anything it has shown that a currency union without political union is exceptionally difficult to manage, most especially if the central bank is also controlled by the interests of an economically dominant participant.

This is exactly what would be replicated in the UK by this proposal. An English controlled central bank would set rates and run economic policy for the benefit of England, dominated still by the interests of the City. This could be a complete disaster for Scotland, Wales and Northern Ireland, even if (as I note) VAT is not to be covered by the central policy decision making. That, however, just adds to the mess: VAT rate boundaries can require customs borders to enforce them, and certainly involve substantial admin. There is little gain to be had there.

This then is a proposal that concentrates power for an elite in London, who would be subject to much less scrutiny. The central bank would become over-powerful as a result. The devolved states would be diminished as a consequence, especially so in the case of the smaller ones. And the real ability to decide on policy would be diminished.

The fact is that unless devolution is matched by a co-ordinated policy for controlling the currency and macro policy on lending and overall tax levels, in which the devolved states clearly have a say in a way that can counter the centralised power of the dominant member state, then candidly all it offers a route to disillusionment.

And the reality that devo-max might require separate currencies, or related currencies working within agreed bands in the style once tried by the ECU, might even have to be considered. Then, and only then, might the economic adjustments needed to make devo-max work be possible. What we have instead is another political proposal that has not thought about the consequences of its implementation that would become apparent within days if it were to ever happen.

When will politicians learn?