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Visionary, Precautionary and Constrained 'Varieties of Devolution' in the Economic Governance of the Devolved UK Territories

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COOKE P. and CLIFTON N. (2005) Visionary, precautionary and constrained 'varieties of devolution' in the economic governance of the devolved UK territories, *Regional Studies* **39**, 437–451. This paper explores economic development financing and action, an important policy arena if lesser expenditure field in the devolved administrations. It sets evolution of this in historical and theoretical context. Since devolution in 1999, manufacturing job loss has been a common fear in Northern Ireland, Scotland and Wales as the UK government, even from 1997, pursued a strong sterling policy outside the Eurozone. In Northern Ireland, development options have been further constrained by suspension of Stormont, and Whitehall demands to reduce public administration. In Scotland a bold 'knowledge economy' strategy is evolving around endogenous growth; while in Wales, the Welsh Development Agency and other 'quangos' are to be absorbed into the Assembly government as elements of an endogenous innovation system policy falter. Simultaneously, public administration employment has grown particularly rapidly in Wales as the Assembly Government has perforce swiftly absorbed Keynesian counter-cyclical resources from the UK government.

Devolution   Economic governance   innovation   Development agencies

COOKE P. et CLIFTON N. (2005) Les 'modes de décentralisation' visionnaire, de précaution et contraint quant au gouvernement économique des territoires décentralisés du Royaume-Uni, *Regional Studies* **39**, 437–451. Cet article cherche à examiner le financement et les actions pour ce qui est du développement économique, un domaine de politique important bien qu'un domaine de dépenses moins important dans les administrations décentralisées. Son évolution se voit présenter dans un contexte à la fois historique et théorique. Depuis la décentralisation de 1999, la peur de la suppression d'emplois industriels s'est répandue en Irlande du Nord, en Ecosse et au Pays de Galles au fur et à mesure que l'administration centrale au Royaume-Uni, même depuis 1997, a poursuit une politique en faveur de la livre forte en dehors de la zone euro. En Irlande du Nord, les possibilités de développement ont été davantage limitées suite à la décision de suspendre Stormont et aux demandes de Whitehall de réduire l'administration publique. En Ecosse, une stratégie audacieuse fondée sur la notion 'd'économie de connaissances' se développe à partir de la croissance endogène, tandis qu'au Pays de Galles, la Commission d'aménagement du territoire et d'autres organisations non-gouvernementales doivent être absorbées dans l'Assemblée comme parties intégrantes d'une politque qui favorise les systèmes d'innovation endogènes. Simultanément, il est à noter que l'emploi public a augmenté rapidement au Pays de Galles au fur et à mesure que l'Assemblée a vite absorbé nécessairement les ressources keynesiennes contre-cycliques du gouvernement du Royaume-Uni.

Décentralisation   Gouvernement économique   Innovation   Commissions d'aménagement du territoire

COOKE P. und CLIFTON N. (2005) Visionäre, vorbeugende und aufgedrängte 'Arten der Machtübertragung' im wirtschaftlichen Management der sich selbst regierenden Gebiete des UK, *Regional Studies* **39**, 437–451. Dieser Aufsatz untersucht Finanzierung und Maßnahmen der wirtschaftlichen Entwicklung, einem wichtigen politischen Schauplatz, obschon weniger bedeutenden Ausgabengebiet der Eigenregierungen. Er stellt diese Evolution in ihrem historischen und theoretischen Zusammenhang dar. Seit der Machtübertragung im Jahre 1999 ist in der herstellenden Industrie von Nordirland, Wales und Schottland das Gespenst der Erwerbsstellenverluste umgegangen, da die Regierung des UK schon ab 1997 eine Politik eines starken Sterling ausserhalb der Eurozone verfolgt hatte. In Nordirland sind Entwicklungsoptionen durch die Stillegung der Regierung im Stormont und Forderungen von Whitehall, die staatliche Verwaltung zu reduzieren, noch weiter ins Gedränge geraten. In Schottland entwickelt sich eine kühne 'Wirtschaftsstrategie der Wissenschaft' in Verbindung mit endogenem Wachstum, während in Wales die Welsh Development Agency und andere 'Organisationen' (QUANGOs) von der sogenannten Assembly Regierung absorbiert werden sollen, da Elemente einer Politik eines endogenen Entwicklungssystems auf unsicheren Füßen stehen. Gleichzeitig hat die Zahl der Erwerbsstellen in der staatlichen Verwaltung stark zugenommen, besonders in Wales, da die Assembly Regierung notgedrungen dem Keynesschen Zyklus gegenläufige Resourssen der Gesamtregierung des UK aufgesogen hat.

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Machtübertragung Sparsame Regierung Innovation Entwicklungsagenturen

Cooke P. y Clifton N. (2005) 'Variedades de descentralización' visionarias, preventivas y restringidas en la gobernanza económica de los territorios británicos descentralizados, *Regional Studies* **39**, 437–451. Este artículo examina la financiación del desarrollo económico y las medidas a tomar, un campo político de importancia si se reducen los gastos destinados a las administraciones descentralizadas. Desde la descentralización en el año 1999, la pérdida de trabajos en el sector manufacturero ha sido razón de preocupación común en Irlanda del Norte, Escocia y el País de Gales, puesto que el gobierno británico, ya incluso desde 1997, ha perseguido una fuerte política esterlina fuera de la eurozona. En Irlanda del Norte, las posibilidades de desarrollo se han visto limitadas aún más a causa de la suspensión del acuerdo de Stormont, y Whitehall demanda la contracción de la administración pública. En Escocia, se está desarrollando una atrevida estrategia sobre la economía del conocimiento alrededor de un crecimiento endógeno, mientras que en Escocia la Agencia Galesa para el Desarrollo, así como otros 'quangos' se verán absorbidos por el ejecutivo como elementos de un titubeo político en torno al sistema endógeno de innovación. Asimismo, el empleo en las administraciones públicas ha crecido con especial rapidez en el País de Gales ya que el ejecutivo ha absorbido por la fuerza y rápidamente los fondos contra-cíclicos Keynesianos del gobierno británico.

Descentralización Gobernanza económica Innovación Agencias de desarrollo

JEL classifications: L11, L22, L63, L65

INTRODUCTION

The UK state is a 'union state' presently in transition to a state characterized by 'asymmetric devolution' (Rokkan and Urwin, 1983; Rhodes, 1997; Keating, 1998). Modern rules of citizenship did not, in effect, exist until adoption by the UK of the European Union (EU) Charter of Human Rights in 2000. This focused on individual not territorial rights, but embodied important Articles regarding national minorities.[1] In the devolved territories, particularly in Scotland and Wales, though occluded by prioritization of pure human rights issues in Northern Ireland, economic governance issues fuelled demands for devolution, and gained expression within the union state parliament from 1966 after the Carmarthen by-election in Wales, and that in Hamilton, Scotland, in 1967. This paper sketches the evolution of economic governance in the devolved territories, focusing on the post-devolution period, setting the processes observed in 'sense-making' frameworks to help explain 'varieties of devolution' in economic governance.

Since 1999, each of the UK's devolved territories faced economic downturn, poor conditions for entrepreneurship, and capital flight caused by globalization effects. The loss of foreign and domestic firms relocating to cheap labour zones in Eastern Europe, North Africa, India and China seriously eroded manufacturing employment. To these woes were added pressures on new industries caused by the end of the Internet stock market bubble from March 2000, and the ensuing global economic recession. Meanwhile it remains UK government policy to deliver UK subjects a knowledge-driven economy. Moreover, at the peak multilevel economic governance stratum for Europe, the EU is similarly committed since the Lisbon (2000) and Barcelona (2002) declarations. These aim to make Europe the world's most competitive and dynamic knowledge-based economy, with the injunction of spending 3% of Gross Domestic Product (GDP) on R&D an earnest of that aspiration. Despite what 'varieties of devolution' are shown, each devolved territory has signed up on paper to this broad aspiration (Scottish Executive, 2001; Northern Ireland Executive, 2002; Welsh Assembly Government, 2002a). Their strategies are broadly in line with the framework laid out in DTI's first White Paper in 1998 (Department of Trade and Industry, 1998) under Secretary of State Mandelson. From 1999 to 2000, a joint ministerial committee reported to the Prime Minister on the Knowledge Economy, and policies and actions in support of improved science infrastructure and better-funded scientific research, industrial innovation, regional innovation and innovative cluster-building can all be traced to that initial impulse.

The aims of the paper are, first, to sketch the evolution of economic governance in the three territories pre-devolution, before conducting the ex-post analysis. The following section will then examine perspectives on devolution as a mode of government and governance through the lens of multilevel governance and concepts such as 'asymmetric devolution'. This will be a prelude to a brief sense-making exercise that explains the pervasive policy emphasis on the knowledge-based economy in European economies, and what is meant by the knowledge economy.[2] Then, the final section will present research findings on modes of economic governance and financing policy in Wales, Scotland and Northern Ireland. The conclusions will reflect upon variable institutional inputs and outcomes from the UK devolution experience thus far.

PERIPHERAL NATIONS AND ECONOMIC GOVERNANCE: A BRIEF OUTLINE OF THE ISSUES

The key issues in Scotland and Wales revolve around the appropriateness, efficiency and performance of what began as a highly centralized mode of economic governance in the post-war years that, by nationalist political pressure from below, prized more responsive and discretionary economic governance powers from the grip of the union state.[3] Much can be read into the improvized nature of the UK's union state by a study of its modes of economic governance in the post-war years. This became the era of 'Butskellite'[4] consensus between the chief contending parties of the desirability of a mixed state and privately owned economy, centrally steered by Keynesian demand-management. For what are nowadays the devolved territories, their pre-war economic plight as Victorian economic complexes in decline, piqued the conscience of governments of both main stripe. Accordingly, as the imperial preference that had formed them withered, regional policy became an integral part of post-war Butskellism. The early forms of regional economic governance were rigid, centralized and aimed to be redistributive of growth. Varieties of terminology, from the continuation of the pre-war 'Distressed Areas' to the less patronizing 'Development Areas' was deployed to denote areas judged worthy of receiving subsidies, mainly tax-relief on investment and development grants, according to whether or not they were 'unemployment blackspots'.[5]

The rise of 'nationalism' in the 1960s was fuelled in part by concerns about the 'fly by night' nature of firm relocations assisted by regional policy, and that nationalized industries, notably coal, were in fact being run down by the Labour government of the 1960s, something echoed in the 1970s regarding the steel industry. The steel industry in Scotland and Wales was in a parlous state, despite modernization, which, nevertheless, became hamstrung by political calculations. This was infamously so in Prime Minister Macmillan's 'judgement of Solomon' in 1963 that physically divided Britain's new super-scale steelworks, intended to compete with Asian producers, resulting in one-half being built near Newport in south Wales and the other half in Ravenscraig, Central Scotland. By 2003, both had ceased making steel, Ravenscraig more than 10 years before that date. In 1964, Labour had dipped a toe in administrative devolution waters by establishing the Welsh Office, complementing in name if not effectiveness the older Scottish Office and Northern Ireland's post-partition Stormont administration.[6] As much as anything, in Wales it was the cry that 'Labour closed a pit every week' in the 1960s that fuelled support for Plaid Cymru, when they mounted serious challenges to Labour in by-elections in coalfield constituencies, leading to success for Gwynfor Evans in Carmarthen in 1966. That constituency neatly encapsulated the twin thrust of Plaid Cymru strategy in those days, as it has continued to do. It sits just to the west of the coalfield and in the culturally and linguistically Welsh heartland. Both sets of, sometimes overlapping, communities were perceived as threatened by the policies of the union state.

When Labour returned to power in Westminster in 1974, it was confronted by a small but vociferous minority of Plaid Cymru and Scottish National Party MPs, not to mention the unique mixture of representatives of Northern Ireland's divided communities, taxed, as CARMICHAEL (2002) put it, without representation in government, something Wales also learned to live with under 1990s Conservative rule. The SNP criticized the Scottish Office for inadequacies in dealing with the energy question arising from the discovery of North Sea oil, and more particularly for unsatisfactory responses to the effects of economic downturn, a main argument of Plaid Cymru in attacking also the Welsh Office. The lead-up to the first 1974 election had caused Labour to promise development agencies for Scotland and Wales to assuage 'the nationalist threat'. These were duly established statutorily in 1975 and opened in 1976 as the UK's first major move away from redistributive to discretionary regional policy (COOKE, 1980). That is, within the articles of the establishing Acts of Parliament, the Scottish and Welsh Development Agencies could perform functions never before practised outside Whitehall, such as taking equity positions in new and existing businesses, supplying direct business services, marketing their territories, and supporting permanent trade missions abroad. In other respects, such as rehabilitating derelict land, building advance factories, and hosting foreign investors they were managing functions hitherto the responsibility of a variety of local and quasi-public bodies. Rural development agencies were also established in the Highlands and Islands of Scotland, and Mid-Wales. In Northern Ireland, it was not until 1982 that the Industrial Development Board was established by Act of Parliament with a primary focus upon securing inward investment, although the Local Economic Development Unit (LEDU) dated from 1971. Along with the technology agency IRTU and the Tourist Board, these were to form the basis of a new, consolidated development agency, Invest Northern Ireland, established in 2002.

While LEDU was responsible for entrepreneurship support in Northern Ireland, as was Scottish Enterprise (as the SDA later became), the Welsh Development Agency evolved only a modest small and medium enterprise support role before the small business function was given to the Training and Enterprise Councils (TECs) in 1990. Thus, in a somewhat unbalanced way, much of the WDA's effort went under what can be called a 'Field of Dreams' inward investment strategy. As in the eponymous film the mantra was: 'If you build it, they will come.' So a strategy of reclaiming derelict industrial land near high unemployment areas, building 'sheds'(advance factories) upon it, marketing Wales globally and persuading foreign and UK firms to establish manufacturing branch plants in the sheds was successfully pursued. In the comparator territories this was also more or less successfully accomplished, with a more high technology emphasis in Scotland, and given the arrival of Nortel, Fujitsu and Seagate, Northern Ireland too, to some extent. Each was also refining instruments in support of entrepreneurship, something the WDA was excluded from, as shown. It will be shown below how this policy imbalance produced lethal implications for the continued existence of the WDA by 2004.

DEVOLUTION CONCEPTS AND MULTILEVEL FRAMEWORKS: POSSIBLE INSIGHTS FOR THE UK CASE

There is a copious literature on devolution but much of it proceeds only as far as textured case analysis, the elaboration of concepts, and in a few cases, conceptual frameworks. For example, 'multilevel governance' is such a framework and it is proposed to use it as a lens through which devolution may usefully be viewed. But even its key progenitors such as Gary Marks and Liesbet Hooghe[7] deny it is a theory, preferring that it be denoted a framework of analysis. Even so, rich political research findings with explanatory value have been produced, for instance by HOUGH and JEFFERY (2003), deploying such a framework.

Multilevel governance attempts to capture the scale effects of governance in settings where powers are separated, as in federal systems where the separation is universal and homogeneous, or asymmetrically devolved systems where they are not. But multilevel governance goes further also to identify those powers operating at sub-regional, usually municipal, and supranational levels typically in the EU, where this analytical approach originated. Analyses may be applied to any aspect of political practice from electoral behaviour to interest representation (HOUGH and JEFFERY, 2003). So what do its leading propositions say? There is a conservative framework for multilevel governance that presents the relationship between scales as linear and determinate (MORAVSCIK, 1993), rather like the argument of political geographers like BRENNER (2001). But the more influential approach, represented by MARKS *et al.* (1996) and HOOGHE (1996) is that different levels of governance relate not in a linear, power-imposing manner, but by evolving spheres of capability among which interactions occur by negotiation between parties of consequence to specific competence areas.

Study then focuses on change or evolution, including devolution, of such competences and capabilities as political systems mature. An institutional analysis of the workings of multilevel governance in respect of drawing up Single Programming documentation for implementing regional budgetary plans for Structural Funds Objective 2 areas in the EU was presented in COOKE *et al.* (2000). Contrasting Germany and Spain, it was shown how the growing presence of regional 'missions' in Brussels, of which those of the German *Länder* were the most prominent in number, enabled qualifying German states to refine their pre-proposal documentation in ways that captured changing policy nuances in European Commission thinking even ahead of the German federal state. For example, stronger evidence was being expected of regional and municipal involvement in policy formation. Moreover, a shift away from hard infrastructure spending on roads towards softer infrastructural expenditure on regional innovation strategy, entrepreneurship and technological upgrading was detected.

When planning proposals were submitted, as they had to be, through the appropriate federal ministry in Germany, they were largely unchanged once informal multilevel consultation had occurred. In Spain, the state maintained its primacy over the regions in drawing up the equivalent documentation and it stuck to the traditional hard infrastructure expenditure norms. Although some qualifying regions had regional 'missions' in Brussels and were invited by the state to submit their regional expenditure plans, they were not included in Spain's main submission. No evidence that municipalities had been consulted was included. Accordingly, while the German submissions sailed through for early implementation, that of the Spanish state was returned for modification until the correct practices and interpretations had been evidenced, significantly delaying implementation.

As WEICK (1995) alerts us, the 'frames of meaning' and 'symbolic structures' guiding policy formation marginalized an interactive learning posture in favour of a more hierarchical, linear policy forming disposition. The fact that at the time Spain was both a relatively new democracy and a new Member State compared with Germany has to be taken into account. But to have, as did Germany, the requisite regional institutional inputs, and their representation at the peak multilevel governance stratum, and then in the Spanish instance to ignore their inputs is clearly politically and professionally perverse. Later, the paper will reflect the present authors' UK findings on devolved economic governance back to the concepts and frameworks outlined in this and the previous section in an attempt at a 'sense-making' account of the events described.[8]

METHODOLOGY, KNOWLEDGE ECONOMY AND EMPLOYMENT SHIFTS IN THE DEVOLVED TERRITORIES, 1998–2002

It has already been noted that faced with the need to respond to a transformed global economic environment characterized by 'offshoring' of routine production and services to Africa, India and Asia, the drying up of new inward investment opportunities, and hopes that 'entrepreneurship', especially in knowledge-intensive industry would possibly be immune to such global shifts,

Table 1. Selected regions from the Knowledge Economy Index, 1998

Region	More than a 40% knowledge economy		Region	Less than a 40% knowledge economy	
Stockholm, Sweden	58.65	(1)	Gelderland, the Netherlands	39.99	(87)
London, UK	57.73	(2)	North East Scotland, UK	38.09	(101)
Helsinki, Finland	51.50	(11)	Northern Ireland, UK	37.31	(107)
Paris, France	50.17	(16)	Sachsen, Germany	35.97	(119)
South West Scotland, UK	47.59	(24)	Highlands and Islands, UK	34.45	(132)
East Scotland, UK	47.05	(30)	Upper Austria	34.28	(133)
East Wales, UK	43.91	(53)	Athens, Greece	33.79	(135)
West Wales and Valleys, UK	42.87	(60)	Calabria, Italy	31.29	(151)
Rhône-Alpes, France	42.22	(67)	Navarre, Spain	32.06	(145)
South and East Ireland	40.18	(86)	Aegean Islands, Greece	12.70	(188)

Sources: EUROSTAT REGIONS (2001); COOKE and DE LAURENTIS (2003).

all the devolved territories made a 'knowledge-based economy' strategy key to economic governance content. Like the UK government a few years earlier, they had harkened to injunctions from, particularly, the OECD (1996, 1999), that this was where their future lay. Using the OECD's sectorally based definition of the Knowledge Economy and examining the results for a workable marker of what counts as a knowledge-based economy in regional statistical terms, it is 'an economy in which more than 40% of employees are employed in high technology manufacturing and knowledge-intensive services' (COOKE and DE LAURENTIS, 2003, p. 17). These are computing, telecommunications, software, biotechnology and aerospace, on the one hand, and research, media, financial services, health and education services, on the other. According to Table 1, some 43% (86/188 regions) of EU regions score 40% or more in *The EU Knowledge Economy Index* (COOKE and DE LAURENTIS, 2003).

One caution is that the EU statistics office, Eurostat, includes automotives in the 'high technology manufacturing' category whereas the Organization for Economic Cooperation and Development (OECD) formula places it outside. Noticeably this helps place Wales among more knowledge-intensive economic regions, although a large part of it is in receipt of the Structural Funds Objective 1 measure. The 40% marker usually denotes those NUTS 2 regions located above it as non-Objective 1 recipients, while the reverse becomes the case for regions below the marker. Thus, until recently Northern Ireland and the Highlands and Islands of Scotland were recipients of Objective 1 funding, and were still marginally below 40% in the knowledge base of their economies, while South West Scotland, East Scotland and East Wales have never been recipients of Objective 1 financial support. The full rankings, of which Table 1 is a selective illustration, show how highly skewed 'knowledge-based economies' are towards capital cities. They also show, perhaps predictably, how relatively bereft of knowledge-based economic activity are peripheral, insular and older industrial regional economies.[9]

These, along with devolved territory and UK employment change statistics formed the initial secondary data trawl element of the research design for this ESRC project. Two other elements of the methodology involved conducting semi-structured élite actor interviews with key functionaries in the economic governance apparatus in each territory. These results are reported here. A third element, involving firm-interviews with business notables having received financial assistance from the economic governance apparatuses both before and after devolution was not complete at the time of writing. The broad hypothesis being tested is as follows: Devolution introduced opportunities for the financing of economic development to be changed from a primarily subsidy-based regime (e.g. Regional Selective Assistance) to a different and less wholly subsidised regime. The 'varieties of devolution' proposition was intended to test the extent to which any movement in the support regime could be made sense of in any way relevant to differences in endowed devolved economic governance powers.

Moving on from the general context of the relatively modest 'knowledge economy' rankings for all the devolved territories, it is now worthwhile to compare the post-devolution broad sectoral performance of the three economies. Table 2 shows the Welsh economy experienced the most dramatic turnaround. Between November 1998 and November 2003, Wales lost 57 000 manufacturing jobs,[10] most in steel production, but a substantial proportion in the technology sectors discussed above. However, there occurred a simultaneous rise of 67 000 public administration jobs by 2002 (Table 3), overwhelmingly these were in health and education. Naturally, this substituted higher value adding, higher productivity, export-earning jobs for largely those increasingly reliant on financial transfers from Whitehall.

As shall be shown, devolution in Scotland was associated with what it is not inappropriate to refer to as envisioning, 'vision-led' or *visionary* policy-making of the kind advocated nowadays standard management texts (e.g. CARLISLE, 2002; LITTLE *et al.*, 2002; NONAKA *et al.*, 2002) in this case pursued to tackle changed global economic realities. By contrast, Wales

Table 2. Manufacturing job loss in the devolved territories since devolution

Territory	2003	2002	2001	1998
Northern Ireland	94 000	98 000	103 000	106 000
Scotland	314 000	336 000	337 000	375 000
Wales	193 000	206 000	220 000	250 000
UK	4 085 000	4 404 000	4 594 000	4 999 000

Sources: Office of National Statistics (2000) and Department of Enterprise, Trade and Investment, Northern Ireland.

Table 3. Public administration job change in the devolved territories since devolution

Territory	2003	2002	2001	1998
Northern Ireland	243 000	256 000	296 000*	291 000
Scotland	706 000	690 000	671 000	635 000
Wales	402 000	415 000	368 000	348 000
UK	7 499 000	7 193 000	7 008 000	6 409 000

Sources: Office of National Statistics (2000) and Department of Enterprise, Trade and Investment, Northern Ireland.
*Data for 2000.
ONS data for public administration in Wales show a sharp drop in employment in the year from November 2002, from 415 000 (31.8%) to 402 000 (29.8%). As the rest of the UK regions grew by between 5000 and 60 000 in the category, this is puzzling and may be a statistical error.

and its economic governance agencies became more dependent on London for the underwriting of its economic future. Moreover, as a *precaution* against rising net job loss, Welsh Assembly Government (WAG) used its own block grant resources, growing as UK expenditure on health and education burgeoned, rapidly to increase employment in those sectors plus direct public administration, but this has seriously debilitated economic strategy, as will be shown. On 14 July 2004, WAG took the ultimate precautionary measure of announcing the three main economic development quangos, the WDA, ELWa (Training Agency) and the Wales Tourist Board, would be terminated by April 2006 and absorbed into the Ministry of Economic Development.

Each of the three devolved parts of the UK suffered substantial manufacturing employment decline between 1997 and 2003, often in what were thought to be propulsive 'knowledge economy' sectors. Table 2 summarizes the manufacturing data. Throughout the UK, large firms accounted for two-thirds of the losses, and these have run at an approximate rate of 100 000 per year since 1997. Since a not insignificant portion of this in Northern Ireland, Scotland and Wales was relatively new foreign direct (and indirect) investment, represented in the likes of Asian investors such as Hitachi, Aiwa and LG Electronics in Wales, many denizens of Silicon Glen in Scotland, and Bombardier (acquirer of Short's aerospace of Belfast) in Northern Ireland, the necessity was acute for major policy rethinks as established inward investment began to close or relocate and the pipeline for new projects dried up considerably.

Devolution also coincided with the ending of the UK Chancellor's self-imposed budgetary clampdown on public expenditure. Statistically speaking, the increases in health and education expenditure since 1999 have more than made up for manufacturing job-loss in Scotland and Wales, though for reasons connected with past civil unrest in Northern Ireland, this avenue of employment growth has been constrained (Table 3). Most of this job growth is accounted for by increases in employment in health and education, but government and other public agency employment has also risen. Of course, the persons recruited into new public administration jobs are unlikely to share the same skills or labour market networks as those made redundant from manufacturing. However, interviews with economic development civil servants revealed research evidence suggesting a 'capillary' labour market effect of such changes according to the following. New public administration opportunities attract persons from existing service industries, including private, the new opportunities perceived as less vulnerable and better paid. In cities, the vacancies arising from this shift are taken by formerly economically inactive persons. In former heavy industry sub-regions, the latter remain inactive and their labour markets import labour from nearby catchment areas, including the aforementioned cities (Clark, 2003). As many of the old industrial areas outside cities also housed much of the new but now disappearing manufacturing, they were doubly affected by these induced changes in public expenditure from the UK government. That is, little reduction in economic activity and an increase in manufacturing job-loss without significant take-up of new opportunities in public administration or, needless to say, innovative start-up businesses.

WALES: TAKING PAINS TO ABSORB WINDFALL GAINS

Immediately after devolution, one of the first tasks of the WAG was to design mechanisms for spending £1.2 billion of EU Structural Funds Objective 1 financing plus match funding, on economic development.[11] For managing the allocation of monies, an extremely complex system of interlocking committees was set up that was responsible for each programme area, involving Assembly and other government, business, voluntary and academic representatives, and experts who were recruited to fill these committees, with approvals given by the external Welsh European Funding Office (WEFO). At the end of the first year of this process, an unofficial estimate was made by a former EU senior official who had returned to advise the Assembly on financial absorption and allocation, that 1700 people had been recruited to manage the approval system and support it administratively. Such were the complaints from, particularly, the business community at the glacial progress of implementation of the Objective 1 programme that reforms were instituted, consisting of the insertion of a new layer of committees given a 'troubleshooting' function to break the administrative logjams that kept recurring. From the beginning of 2004, responsibility for managing this was taken into the Assembly civil service and a supposedly more streamlined system of six Thematic Action Groups (TAGs) was established to make allocations. By then it was official that 1700 civil servants alone costing £36.2 million per year were managing economic affairs in the WAG, a 25% increase over 3 years.[12]

The EU had required budgetary allocations to standard headings such as community enterprise, support for SMEs, innovation subsidies and the like. Already hemmed in by rapidly approaching deadlines while the devolved administration was being set up, first drafts were sent back rather as they had been in Spain a decade earlier. Consultative processes were curtailed as memoranda of understanding were signed with UK ministers on such domains as disengagement from foreign direct investment 'bidding wars.' Hence, the Single Programming Documents played the percentages, with the Assembly civil service literally in haste re-visiting the budgetary allocation shares used previously in Objective 2 calculations to save time. It is probable that Wales's swift increase in public administration, following serious haemorrhaging of employment in high productivity Asian manufacturing plants, was a major contributor to the marked decline in GDP per capita since devolution.[13]

Post-devolution knowledge policy assessment

Formal assessments of performance regarding initiatives such as the Objective 1 funded Entrepreneurship Action Plan (EAP), Knowledge Exploitation Fund (KEF) and Finance Wales (FW) are seldom published. However, official statistics reported that for the financial year 2001/02, in return for an average £80 million per year expenditure in its first 3 years, the EAP was set a target of providing support to 4600 new business ventures, but in fact only aided 1800 – a deficit of 2800. For 2002/03, the EAP was set a goal of supporting 6300 start-up businesses and 4000 start-ups were assisted by the WDA from April 2002. Such assistance can include fairly trivial telephone inquiries about eligibility. Part of this expenditure is on *entrepreneurship* training modules in further education colleges.

A report on KEF's own website shows that despite budgets of well over £20 million per year being spent, only 5% more entrepreneurship modules were being taught in universities and other higher education institutes, although 25% more were taught in further education colleges. But 75% of the latter had no or few mechanisms for technology transfer, while the statistic for universities was only 25%. It can be concluded that there is a significant disconnect in this particular part of the entrepreneurship-driven renewal of the regional innovation system in Wales. So much so, that in the disastrous events that saw the splitting of ELWa in March 2003 into the Higher Education Funding Council for Wales (HEFCW) and the National Council for Education and Training in Wales (NCET), KEF was transferred to the WDA. Remarkably, it transpired that as well as issuing training-related contracts illegitimately, something continuing to be discovered at this time of writing (Shipton, 2004), ELWa had no legal status, being effectively merely a brand name for HEFCW and NCET. The precautionary principle had collided with the 'public enterprise' aspiration in a bureaucratic nightmare (Shipton, 2003a).[14] The Chair resigned in June 2003 amid further evidence of irregularities in the appointment of an acting Chief Executive, himself author of 100 redundancies in response to the HEFCW divestiture.

Finance Wales, a vehicle designed to supply venture capital to innovative SMEs and start-up businesses because of a perceived market failure in private provision, also registers such disconnects in the far lower than targeted number of businesses coming forward in quest of equity investment. Accordingly, public venture capitalists are redeployed onto firefighting co-funding grant packages. Further administrative expediency and risk aversion has resulted in equity now being tied to accessing Regional Selective Assistance, thus incentivizing entrepreneurs to becoming 'grant junkies' rather than weaning them off grant-dependence as modern investment theory advocates.

The Technium incubator-building scheme seems equally over-ambitious, with 20 planned to host many more spin-offs that can be legitimately expected to arise from academic entrepreneurship in Wales alone. Programme costs are some £260 million, again funded largely by Objective 1 resources. The Californian flagship technology firm Agilent in Swansea's Technium folded in 2002 and a privately led media Technium in a West Wales rural setting failed to progress despite large sums of Objective 1 and WDA funding having been allocated.[15] Others planned for biosciences have yet to emerge. As well as over-ambition, there are a set of design flaws in the policy that include, first, an inclination to replicate old incubation approaches that failed to prioritize management assistance, including allocating part-time space to such services as venture capital, legal advice and management accountancy. Second, true to WDA 'Field of Dreams' traditions, they are properties leasing space, now for SMEs previously for FDI businesses, thus they are not in themselves innovative. Finally, they assume 400 or more incubator spaces can be filled. A study of this question calculated that, from academia in Wales, where there are less than 1000 tenured scientists and engineers, some 20–30 spinouts could be anticipated during the lifetimes of those academics if international rates of academic entrepreneurship prevailed (JONES-EVANS, 2002). Clearly, a major 'recruitment' effort is required for aspirations to have any chance of being fulfilled, and this at present is not evident as policy or practice.

Wales's economic governance has been *precautionary* and confined largely to reorganization of the administrative apparatus, with terminal consequences in the case of ELWa, the WDA and the Wales Tourist Board. As noted, these economic development quangos in Wales are to be wound up and their functions absorbed into WAG. Poor performance was the main excuse, but it commits WAG to years more institutional reorganization, one of the few powers open under the desultory devolution settlement granted to Wales. In this respect, it is hard to see how the possible economic advantage from GOODWIN *et al.*'s (2002) 'uneven institutional geography' has actually functioned, other than to emphasize the precautionary principle, something that does not get us too far theoretically or practically. The Objective 1 'windfall' and multilevel governance based on a weak devolution settlement rendered WAG precautionary in significant measure. The windfall clearly came with strings attached, which meant funds required heavy guidance to meet EU allocation criteria.

A cumbersome bureaucracy, probably created from an over-interpretation of EU requirements, slowed the flow of badly needed investment to a trickle in 2000–03. Finally, precautions have often been taken in a discretionary manner not to give the appearance of over-spending. A further victim of last-minute plug-pulling by WAG was the National Botanic Garden of Wales, also to house one of the ill-fated Technium bioscience incubators, struggling in administration and awaiting an unlikely private-sector suitor.[16] Finally, to repeat, the Bastille Day 'bonfire of the quangos' seals the reputation of the WAG of 2003–07 as masters of moving the institutional deckchairs around, but of remarkably little else of significance for economic governance.

SCOTLAND'S MORE 'VISIONARY' APPROACH IN THE FACE OF AN ECONOMIC SEA CHANGE

Returning to Table 2, Scotland's new deindustrialization hit earlier as shown so that although it lost many manufacturing jobs in 1998–2003, its share was lower and fewer were lost than in Wales. Northern Ireland shed 12 220 between 1999 and 2003. Scotland's economy has typically performed at or near the UK norm in recent years.[17] Accordingly, Scotland has only temporarily attracted the kind of Structural Funds support, notably Objective 1, now experienced by Wales and from 1988 to 1999 by Northern Ireland. Of course, the Highlands and Islands region was a recipient of Objective 1 funding, but that tapered off after 1999. Moreover, the support was more for peripherality and rural policy to counter demographic decline than for the restructuring of heavy industrial economies in decline. As in Northern Ireland, its implementation was associated with an increase in GDP that brought that measure above the 75% of EU GDP per capita that triggers Objective 1 funding that, from 2006 will mainly focus on the EU Accession economies.

Nevertheless the weakening of manufacturing, including a spate of closures by foreign electronics firms in Silicon Glen, contributed to broader concerns that led the Scottish Parliament to commission Scotland's Science Strategy. This reviewed basic scientific research, costed it, assessed it in relation to world-class benchmarks, and prioritized three fields for which extra resources and attention would be forthcoming: Biosciences, Medical Science and E-Science. Activities to develop closer networking among public and private research laboratories, to stimulate technology transfer *from* the Scottish health system and to promote a science-based economy were begun. Regarding the last, the Scottish Executive then produced an economic strategy document charging Scottish Enterprise and economic actors generally, to espouse their vision of a 'Smart, Successful Scotland'. This emphasized the need to position Scotland to exploit to the full the Knowledge Economy and proposed actions to enhance knowledge inputs and outputs among global businesses in or relevant to Scotland; to hasten the rate of spin-outs from scientific research; and to make Scotland's 'talent' base more 'sticky' and augment it by stimulating a more cosmopolitan image.

Implementing a knowledge-based vision of Scotland's future

One of the key ways in which this was to be implemented is through Scottish Enterprise's Global Connections strategy. This sets out Scotland's strategic direction for taking advantage of the opportunities in the knowledge economy and ensuring it is a globally integrated economy. The two overarching objectives of the strategy are as follows:

- Helping Scotland realize value by attracting knowledge from overseas.
- Helping Scottish knowledge generate value abroad for Scotland

This is more simply expressed in the shorthand description of the strategy as focusing on Knowledge-in and Knowledge-out. It is illustrative of the perception of the need for a new approach to set the Global Connections strategy in its wider Scottish context. It provides one strand of an overall approach set out in Scotland's economic development vision, A Smart Successful Scotland, alongside complementary strands on Growing Business and Learning and Skills. While the main aim of Global Connections is to raise Scotland's level of international activity given increasing globalization, its objectives are key means of meeting Scotland's broader economic challenges.

The overall challenge set out in A Smart Successful Scotland is to close the productivity gap between Scotland and the leading OECD economies. An analysis of GDP per head between 1995 and 1999 estimated that Scotland fell into the third quartile of OECD economies. There was perceived to be potential in addressing the causes of Scotland's productivity gap and raising Scotland's growth rate. This involved increasing skill levels through attracting talent, with anticipated benefits also for building indigenous skills through stronger cross-border alliances and knowledge transfers from FDI. It further involved increasing *entrepreneurship* through the same mechanisms. This was considered among the highest priorities in transforming the Scottish economy and an area where the three channels for increasing international knowledge flows would play a crucial part.

Scotland's total R&D expenditure as a proportion of GDP also placed it in the third quartile of OECD economies (compared with the UK's position in the second quartile). Measures of research output from Scotland's universities (e.g. scientific research papers in leading journals per capita) suggested a high level of academic research activity not adequately reflected in levels of R&D in the corporate sector. Policy to build on an export-based Market Access Programme to develop overseas partnering, particularly around knowledge and technology partnering was implemented. The policy emphasized pro-activity from Scotland rather than reaction to overseas entities, thereby aiding the few motivated firms and seeking to augment their number by emulation. In support of more market-facing *entrepreneurship* support, Scottish Enterprise in 2000 privatized its in-house venture capital entity Scottish Equity Partners Ltd.[18]

Briefly, three other ways in which policy instruments were implemented to improve Scotland's 'knowledge economy' profile are summarized in what follows. First, foreign owned firms *planning to leave* were targeted to encourage them to replace production jobs with R&D. This resulted in some success, one reason being that Scotland's science base is excellent, producing 28% of UK biotechnologists and 20% of medical doctors with only 9% of the UK population. Pharmaceuticals firms spend, at 17.5%, twice the amount on R&D that other sectors average, hence knowledge linkage around healthcare made sense. A second example, concerning spinout firms, was the ambition to enhance an already successful cluster programme by establishing new Intermediary Technology Institutes to take basic research from universities, patent it as appropriate, transform it into near-market innovations and commercialize it by license, sale or new spinout. In Scotland, three of these in Life Sciences, ICT and Energy were announced in September 2003 costing £450 million over 10 years, 10% of Scottish Enterprise's anticipated budget. Finally, to enhance knowledge inputs and outputs, an extranet linking the Scottish business diaspora was constructed. It functions successfully and will be expanded externally and adapted as an internal knowledge management system for all Scottish Enterprise staff and the wider Scottish 'knowledge economy'.

It is relatively easy to see that the more autonomous devolution settlement in Scotland gave institutional confidence to ministers and agencies alike to reach for new opportunities and evolve institutional knowledge formed from previous experience.[19] The *vision* embodied in the new approach to economic development and its financing in Scotland is first, constructed on recognition of weaknesses in entrepreneurship and, particularly, indigenous knowledge exploitation. Second, it builds on strengths, such as a good scientific performance. Finally, it adopts measures aimed at integrating knowledge flows to exploit strengths and tackle weaknesses. It envisages a strong knowledge generation and commercialization future for the Scottish economy. Given some of Scotland's avowed economic weaknesses, it is an ambitious programme. Moreover in a context of perceived market weakness, it is a market-facing but necessarily mildly *interventionist* programme, controversial enough in ideological terms to have entailed the resignation of Scottish Enterprise chief Robert Crawford on account of an unfavourable press from, *inter alia*, Andrew Neil's *Scotsman* newspaper.

CONSTRAINED ECONOMIC GOVERNANCE IN NORTHERN IRELAND

This section now turns to a comparison of Northern Ireland's post-devolutionary experiences of economic governance and new public finance mechanisms aimed at securing growth in an economy that, as has been shown above, has also been hard hit by traditional industrial decline. Naturally, the political history of the region makes for the most obvious contrast, with devolution much longer established, but experiencing its long period of suspension from 1974 to 1999.

Thereafter, devolution in Northern Ireland has been suspended on four occasions and direct rule from Westminster imposed. For this and other reasons to be discussed, the paper considers the use of the adjective *constrained* economic governance appropriate.

Funding knowledge economy development in Northern Ireland

One of the first acts under devolution in Northern Ireland was the creation of the arm's length economic development agency, InvestNI, drawing together the activities of the previous development agencies (and the Tourist Board.) With this, a more concerted effort was made to put in place the elements of a modern economy, including instruments to strengthen the regional innovation system, such as university incubators, spin-out firms, venture capital, exacting technology customers, supply chains, cluster-building programmes, science park facilities and science entrepreneurship support. Thus, the priority was to engage fully with the *knowledge economy*. Before the advent of its new, consolidated development agency, Northern Ireland already benefited to some extent in this regard from having the Industrial Research and Technology Unit (IRTU) as a research and technology investment arm, now assimilated into InvestNI. The second challenge, as everywhere, was *globalization* and its implications for the evolution of strategic thinking. The third was *entrepreneurship*, a characteristic in great demand given the drying up of new FDI projects and weakening manufacturing employment opportunities contingent upon redundancy announcements such as that of Bombardier-Short's. To this end, InvestNI's officers helped seed three successful private venture capital firms with strong links to university incubator start-up companies.

Some of these aspirations were hamstrung by suspension of devolution. First, hitherto, Northern Ireland businesses did not pay business rates. This historic concession was done away with as Northern Ireland's business tax system was aligned with that of the rest of the UK. This is an example of the hidden 'virtues' of Direct Rule. The decision was politically such a vote-loser that no minister in the devolved Assembly would take it. However, under Direct Rule it was taken without the risk of political unpopularity since the minister in question, Ian Pearson, represents Dudley South. Second, the Strategic Investment Board (SIB) was set up at the beginning in January 2003. Its creation empowered the Office of First Minister and Deputy First Minister (OFMDFM) to regenerate former military and security sites such as Long Kesh transferred under the Reinvestment and Reform Initiative. This also meant the introduction of Private Finance Initiative thinking from Whitehall.

Second, until the most recent suspension InvestNI was more concerned with building *capability* than *capacity*. This may seem a fine distinction for a relatively generic organization like an economic development agency to be making. The contrast is between pre-devolution days when the emphasis was on large-scale, capital-intensive, often foreign investment projects to build economic *capacity* to the present when it is upon *capability* building among indigenous businesses, particularly start-ups. Hence, third, new instruments to finance support for building *capability* involved detailed discussion with the Northern Ireland Department of Finance, especially in respect of what had been perceived as a bulldog-like Assembly Audit committee and what kinds of instruments of 'new public finance' might be democratically acceptable. Urgency was given to this by the precedent of *Enterprise Ireland*, the Republic of Ireland's successful new market-facing, small firm enterprise support agency. Here, a serious clash occurred between two of New Public Management's defining mechanisms: audit and tendering.[20]

The key question is: If, as a public agency you invest heavily in the risky, high growth category start-up and experience failures, what are the rules regarding public service requirements to exercise due stewardship of public finance? How is due diligence defined with regard to public risk? There had been much serious cross-examination of civil servants by the Assembly Public Accounts Committee (PAC) on this financial governance issue, so much so that it was acting as something of an obstacle to public enterprise. A similar role is played by the Northern Ireland Audit Office. The position reached politically was that, provided appropriate growth parameters were derived and abided by from the outset, and judgements of risk made accordingly, acceptable public investment risk management would be deemed to have been observed. The vagueness of such a determination and the colander-like nature of possible legal interpretations were not helping overcome the inherent risk-averseness of public officials.

Regarding *globalization*, the problem of attaching the Northern Ireland economy to knowledge-intensive business is that developments in such industries occur under a form of neo-liberal global economic governance[21] orchestrated from the USA. This meant knowledge clusters in ICT, particularly, but also more traditional industries like automotive engineering burgeon and contract with change in US demand. Economic management is increasingly about seeking to accommodate regional economies to the vagaries of rapid business cycles. One means of doing this, by creating an employment cushion in the public sector, as practised in Wales, was not available to Northern Ireland because of administrative downsizing.

Regarding *entrepreneurship*, this embraced a framework for 'new regional policy' in the UK that combined recommendations from the Baker Review on entrepreneurship by Government Research Establishments, the Sainsbury perspective on regional innovation, clustering and academic entrepreneurship and the Lambert Review on UK Innovation (Department of Trade and Industry, 1999, 2003; H.M. Treasury, 2001). The UK Chancellor's NITEC initiative enables InvestNI to resource a Proof of Concept fund modelled on that in Scotland aimed at subsidising academics to buy out teaching and administration time to focus on proving the commercial viability of a scientific discovery. Seed corn funding for start-up businesses is similarly funded from the Chancellor's allocation. Thereafter a programme for Accelerating Entrepreneurship in existing technology businesses is pursued in part through the Incubator strategy. Regarding R&D support, the £38 million Queen's University Electronics, Communications and Information Technology (ECIT) Centre at the Northern Ireland Science Park in Belfast's Titanic Quarter is a recent achievement, as is Ulster University and Queen's joint NanotecNI Centre funded at £11 million.

Nevertheless, the Northern Ireland mode of economic governance under devolution can best be conceived as *constrained*. First, there are the constraints imposed by politics that mean objectives change according to whether Westminster or Stormont is in charge. Thus, actions that Stormont found politically unappetizing to execute, such as to raise business rates, are prioritized under suspension as is PFI for militarily decommissioned land holdings. Second, there are economic constraints dictated by macro-economic conditions, a past inheritance of obsolete industry and narrow bases on which to build a new economy. However, the NI Business Start Programme outperformed its target by 56% in its first 2 post-devolution years, assisting 3300 new business ventures in that time. Finally, there are administrative constraints imposed by tight auditing and PAC assessments. Before Direct Rule, senior civil servants interviewed accused the latter of 'grandstanding' and immature 'headline-seeking' thereby making the task of a 'creative bureaucrat' even more complex than otherwise might be the case. Nevertheless administrative creativity in economic governance was actually stimulated by the establishment of an Economic Forum that for a time put representatives of business such as CBI in the limelight and helped mobilize consensus against PAC constraints. By such legerdemain economic governance and the modernization of economic policy proceeded until suspension of devolution albeit under constraints that rendered it a delicate plant to nurture.

CONCLUSIONS

While referring to Scotland's experience of economic development policy experimentation as *visionary* in comparison with that of Wales as *precautionary*, and Northern Ireland's *constrained* form of manoeuvrability in economic governance, it is clear that more attention has been devoted to the often negative recent experiences of the Northern Ireland Assembly's intermittent suspensions and the WAG's efforts to restructure the nature of financial support for enterprise and innovation. Scotland has had problems connected to political leadership more generally rather than specific problems of economic governance and policy formulation (although the hounding out of Scottish Enterprise Chief Executive Robert Crawford by *Scotsman* editorial neoconservatism is an exceptional case[22]). This is because it is intellectually interesting and important to engage in sense-making of policy failure as well as policy success. More broadly, the kind of limited devolution Wales and Northern Ireland but not Scotland received is likely to be more generic if such powers are ever applied in, for example, English regions (see note 24). The title proposes 'varieties of devolution' not merely as a descriptor but as a possible indication of causes of the disappointing performance of new economic development financing tools in Wales as compared with Scotland. It also captures indigenous features, such as tough auditing in collision with New Public Management constraining governance that lackeys the varying tides of Whitehall and Stormont in Northern Ireland.

As Fig. 1 indicates, our data can be used on the three devolved territories to categorize the input side (governance) as, respectively, 'visionary' in Scotland due to a strong devolution settlement and modest multilevel governance constraints, 'precautionary' in Wales, partly because of a weak devolution settlement and stiff EU and UK multilevel governance parameters, and for reasons discussed 'constrained' in Northern Ireland with a fractured polity, lengthy episodes of suspension, and a medium-strength devolution settlement with primary legislative but no tax-moderating powers. However, where the present authors think they move further than, say Goodwin *et al.* (2002), is in characterizing policy regimes. If one follows Hall and Soskice (2001), logically all three devolved territories are Liberal Market Economies (LMEs) rather than Coordinated Market Economies. However, within a broad LME institutional setting at the UK level, the policy regime and its institutional stance of the devolved territories differ quite markedly. It has been shown that both Scotland and Northern Ireland set up or privatized financial governance functions for economic development, notably venture capital, whereas precautionary Wales set it up within the WDA. While InvestNI is avowedly market-led in its policy outlook, it nevertheless has to face reality and intervene considerably. Scottish Enterprise intervenes by fine-tuning of market mechanisms that function relatively less well than they might, but the WDA is being 'nationalized.' Thus, as variants on an LME theme, it is proposed that the three output (policy) regimes are capable of being understood as in Fig. 1, respectively *state-centric* in Wales, *liberal-market* in Scotland and *coordinated market* in Northern Ireland.

This characterization helps understanding of the *structuration*[23] of devolution, whereby three distinctive

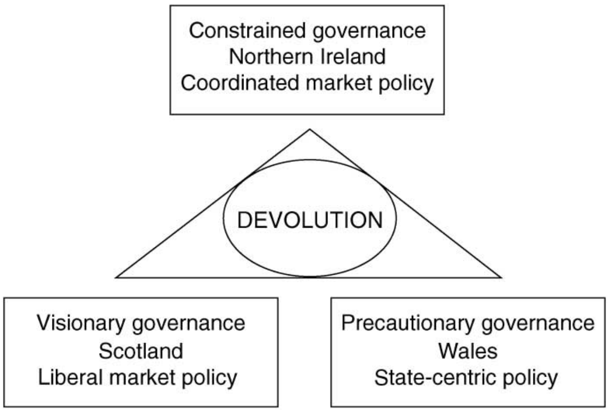

Fig. 1. Forms of economic governance in the UK's devolved territories

national identities, sharing peripherality and a history of both an early rise as well as demise of modern industrialization, develop distinctive forms of devolved economic policy regimes despite adopting similar economic governance leadership through integrated, multipurpose development agencies. The reasons for the distinctive outcomes of similar governance mechanisms facing similar economic problems in comparably peripheral settings have been discussed. They centre upon 'varieties of devolution' and the relative strength of the devolution settlement, asymmetric capabilities, and the controls exerted accordingly by multilevel governance.[24] Past and current economic performance and institutional histories of the three distinctive territories partly condition these governance variables. Thus, a deeper explanation for differential economic governance performance is found in the interaction of asymmetric devolution and multilevel governance that produce 'varieties of devolution', this perspective expressing some resonance with Hall and Soskice's (2001, 2003) idea of 'varieties of capitalism'. Greater autonomy and fewer multilevel governance constraints appear for now to be associated with better economic governance, something that is not inconsistent with Goodwin *et al.*'s (2002) point that uneven institutional geography can enhance economic success, but not perhaps in ways that they meant.

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NOTES

1. In particular, Article 21 prohibits any discrimination on grounds of ethnic origin, language or membership of a national minority. Article 22 states that the Union shall respect cultural, religious and linguistic diversity (Commission of the European Communities, 2000).
2. These are by no means identical. As will be shown, the latter usage dates from Machlup (1962) while the former is far more recent.
3. The authors are aware that some writers now challenge the idea of the UK as unitary state, observing a 'differentiated polity model' to have evolved over time which devolution strengthened (Rhodes, 1997; Carmichael, 2002). However, the expressly anti-federalist intent of the devolution settlement, in particular, inclines us to see the continuance of a unitary state model based on Westminster sovereignty having been only modified asymmetrically by devolution (Hogwood, 2003).
4. 'Butskellism' is the journalistic label given to the broad political consensus between post-war Conservative and Labour programmes, as represented in the personalities of left-of-centre Conservatives such as Richard (Rab) Butler, who was Minister of Education in the wartime National Government, and prominent in the introduction of free primary and secondary education for all through the introduction of the Education Act 1944. He held several senior Cabinet posts including Chancellor of the Exchequer (1951–55), Home Secretary (1957–62) and Foreign Secretary (1963–64). Hugh Gaitskell was leader of the Labour Party from 1955 to his death in 1963. He was Parliamentary Secretary to the Ministry of Fuel and Power until 1947. This was followed by posts as Minister of Fuel and Power (1947–50), Minister of State for Economic Affairs (1950) and Chancellor of the Exchequer (1950–51).
5. Numerous texts can be consulted on this topic, notably McCrone (1969) and Armstrong and Taylor (2003).
6. Following Ireland's successful fight for independence, the UK state in 1921 partitioned the island, the six predominantly Protestant north-eastern counties becoming part of the new United Kingdom of Great Britain and Northern Ireland. From 1921, economic governance was the responsibility of the Northern Ireland Ministry of Commerce. This remained the case even after Direct Rule and the creation in 1972 of the Northern Ireland Office in London and Belfast, until 1982 when the Ministry of Commerce became the Department of Economic Development. Thereafter, upon devolution in 1999, Departments of Enterprise, Trade and Investment, Regional Development, and Social Development formed a three-way split of the old competences (Carmichael, 2002).

7. See, for example, MARKS *et al.* (1996) and HOOGHE (1996), both of which lay out the general perspective and methodology for analysing multilevel governance.
8. Regarding economic governance, HOGWOOD (2003, p. 8) sees the 'new regionalist' school speculating that the 'significantly uneven institutional geography' arising from UK devolution implies some devolved territories developing enhanced economic governance capabilities, possibly leading to differential patterns of economic success and failure within the UK (GOODWIN *et al.*, 2002). The authors have some sympathy with this view, although based on the present authors' historical analysis, devolution has to be catalytic to be transformative of economic performance in the devolved territories. Perhaps as it stands it confuses means with ends, or put another way, institutional inputs with practical outputs. The present authors' references to the unanimity with which 'knowledge-based economy' boosting policies, already UK government strategy since 1998, were adopted more or less simultaneously in the devolved territories, is a case in point. Nevertheless, the present authors' inferences on differential policy performance between Scotland and Wales and even, for different reasons, Northern Ireland swinging between devolution and suspension since 1999, mean this debate shall be returned to in the Conclusions.
9. Reference has been made to both 'knowledge economy' and 'knowledge-based economy'. As noted, the former is the older usage (MACHLUP, 1962); the latter dates from usage by OECD (1996). Ironically, both exclusively referred to sectors with high proportions of knowledge assets, usually measured in equipment utilization. Neither incorporated a human capital component. The modern 'knowledge-based economy' definition is thus seen as focusing only upon a limited knowledge-intensive and high-technology producer base. This is at odds with a less exclusive perspective such as that of BURTON-JONES (1999), who shows that all sectors rely upon both knowledge categories to an increasing extent. Under these circumstances, a more inclusive but re-worked definition of 'knowledge economy' is preferable. But until the statistical analysis is conducted to measure qualified human capital intensity, the official statistical discussion is limited to the 'knowledge-based economy' usage.
10. This represented a 6.1% decline, the UK's largest, and may be compared with Scotland's 3.2% and the UK's 4.0% decline. Northern Ireland's equivalent statistic was a decline of 2.8% in manufacturing employment.
11. From 2003, this task was complicated by absorption of extra UK funds to further public services (see note 16).
12. Response by Sir J. Shortridge, Assembly Permanent Secretary, to J. Morgan Assembly Member (Welsh Assembly), 8 December 2003, Cardiff, Library of Welsh Assembly.
13. See note 17.
14. On the resignation, see SHIPTON (2003b).
15. In late 2003, this Technium was offered on bargain terms, including a £3 million 'gift', to Llanelli-based Welsh-language independent television company Tinopolis, which has yet (mid-2005) to decide on the opportunity.
16. The position of WAG finances at this time was parlous, with some £300 million of cuts having to be made in economic development expenditure. This was due to the Barnett formula 'squeeze' whereby Wales receives a fixed percentage of public expenditure increases in England on parameters that keep the lid on block grant revenue perversely tight. Thus, absorption of relatively large tranches of health expenditure from the UK Treasury from 2002 onwards meant that cuts were necessary elsewhere in expenditure plans if block grant limits were not to be exceeded in Wales. These were made in economic development expenditure in autumn 2003, one consequence of which was that match-funding promised for Objective 1 projects in *A Winning Wales* (WELSH ASSEMBLY GOVERNMENT, 2002b), WAG's economic development plan, disappeared and even approved projects had to be abandoned. Scotland was not affected in this way because the Barnett formula works to Scotland's advantage (MCLEOD, 2003).
17. In 2003, for example, Scotland's GDP per capita, though down on 4 years previously was some 96.6% of the UK, whereas Wales declined from 79.2 of the UK index of 100 in 1999, to 79.0 in 2000 and to 78.8 in 2001 according to OFFICE OF NATIONAL STATISTICS (2000) figures (SHIPTON, 2003c, d).
18. In 2003, a pioneering £45 million Co-investment Fund backed by the EU and Scottish Executive has inspired a proliferation of business angel syndicates. In 2003–04, these invested £17 million in early-stage business ventures (NICHOLSON, 2004).
19. Thus, Scotland's Alba Centre software campus did not produce a 'step-change' in Scottish fortunes by anchoring the semiconductor industry. The official views about why Alba worked only moderately are threefold: (1) too narrow in technology (LSI software); (2) too closely linked with one, non-leading-edge US firm called CADENCE; and (3) too tied to semiconductor FDI in Scotland, which left in the late 1990s–early 2000s. Yet officially, Alba is not seen as a failure. Taking the best of four Scottish universities' know-how and building a technology bridge or 'boundary-crossing' intermediary between university and industry facilitated by Scottish Enterprise was progressive. On Alba's shoulders the opening of Intermediary Technology Institutes (ITIs) envisions broader capabilities in general R&D. Alba was meant to embed semiconductors in the Scottish economy based on local knowledge flows. What has been learnt post-devolution is that ITIs must be built on recognition that innovation involves global knowledge flows (Scottish Enterprise interview, 30 June 2004.)
20. On the pervasive and constraining effects of the audit mentality on policy formation, see POWER (1997).
21. 'The Washington Consensus'; on this, see CAPRA (2002).
22. In particular, this occurred over accusations of interventionism regarding the Intermediary Technology Institutes. In September 2003, an announcement (already noted above) that £450 million would be invested in ITIs over the next 10 years (10% of Scottish Enterprise's budget) was accompanied by the resignation of the CEO.
23. This term was introduced by Anthony Giddens (e.g. GIDDENS, 1984).
24. The question is often posed in conference and other settings about whether the emergence of the three models identified in this analysis are structural to the devolution 'settlement' or the product of more transitory

impulses such as leadership, and civic or political engagement. It is concluded that a weak settlement tends to produce circumscribed, even negative 'fiddling about' with administrative bodies, sometimes at Westminster's behest. This is classically the case in Wales, where, in 2005, it was widely assumed the Health Minister presiding over lengthy hospital waiting lists was sacked by the WAG First Minister, Rhodri Morgan, because UK Prime Minister Blair told him keeping her was likely to lose Labour votes in Wales at the upcoming UK general election. The weak powers and 'talking shop' character of what was on offer were also spotted by the electorate of North East England, who in a referendum in 2004 rejected a regional assembly wholesale. Scotland's strong settlement invites greater latitude and confidence. As well as more visionary strategy that can actually be implemented, where such would be unlikely to be the case in Wales, it gives political confidence. This shows in many ways but, for example, when a major Falkirk, Scotland, bus manufacturer was faced with closure due to the financial weakness of its US parent, the UK (DTI) Industry Minister told the Scottish Executive to leave the problem to the DTI as an international matter. To which the Executive's response was '*au contraire*, leave it to us as it's a Scottish matter'. Scottish Enterprise then proceeded to find three entrepreneurs, including Suter of Stagecoach and Murray of Glasgow Rangers to fund a buyout and save 1000 jobs (interview, June 2004). Northern Ireland's cramped style is mainly, of course, because of past discrimination by Protestants towards Catholics and the latter's distaste for oppression. The 'settlement' allows for relatively visionary foresight and policy implementation. For example, as noted above, until suspension, Stormont retained primary law-making powers. The Republic of Ireland's economic governance institutions are also often a role model in ways they are not in Scotland and Wales. The early days of devolution with economic governance led by Sir Reg Empey were widely spoken of as 'exciting' and 'innovative' in interviews with opinion of all stripes, but of course, the fruits of this dynamism have withered somewhat as Protestant reluctance to trust Catholics in government and civil society has widened the civic and political divide.

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