

Introduction

Michael Storper, author of *The Resurgence of Regional Economies, Ten Years Later: The Region as a Nexus of Untraded Interdependencies* argued that something about governance changed in the early 1980s, the nation state, previously thought to be the supreme form of governance in the world, was being eclipsed by smaller forms of governance, regional governance (Storper 1995: 258). This movement is called new regionalism. Although the region has been a significant source of economic power in the past, the new regionalism emerged both for academics and politicians as a more efficient way to create sustainable economic prosperity (Storper 1995: 259, Keating 2003: 261). While regions signify much more than a place to base economic growth, they have historically been looked at as areas for social, nationalist, cultural and sometimes political cohesion, the new regionalism examines the region's ability to participate in the global economy (Keating 1996: 259-260). There are many regions around the world that have successfully fit into the new regionalist narrative: New York City, the South East of England, and Baden-Württemberg. These areas are globally competitive have significantly impacted the economic prosperity of their states and countries and have enjoyed sustainable, long term success. Kenichi Ohmae, author of *The Rise of the Region State* wrote that the region has drawn intuitive lines for mapping the global market and understanding the flows of goods and services (Ohmae 1993: 249). His perspectives fit with understanding already successful regions, but what about how the new regionalist policies effect regions, which were previously unsuccessful? This paper asks: Are we seeing regional economic policies in Wales and Scotland successfully create sustainable, economic prosperity as new regionalism would suggest? It will be organised into three sections: first literature overview of the region and new regionalism and their importance in economic prosperity, second an empirical analyses of the success of the economic plans published by the Welsh and Scottish regional governments evaluated on three points: encouraging new businesses, diversifying skills of the population, and creating innovation, and finally an analysis of how these regional policies have affected the economic prosperity of the two territories based on the new regionalist literature.

The Rise of New Regionalism

What is a region? Regions can be sub-national and supra national and many scholars define it differently and some discussions of regionalisation and do not define a region at all (Storper 1995, Amin 1999). In an age of supranational regulatory organisations like the European Union, United Nations, and International Monetary Fund, it seems counterintuitive that smaller scale regional governance would also be on the rise. However, even the larger supranational institutions like the European Union have specific funding and support for regional development, even if the once desired "Europe of the Regions" never materialised (Elias 2008: 484-485).

Michael Keating, a premier regionalist scholar, defines regions as territorial, functional, and political spaces. A territorial space is the legitimate boundaries and borders of an area, a functional space is using the area as a location of culture and "social solidarity," and a political space when an area has a government and institutions (Keating 2003: 263-265). These types of spaces are not mutually exclusive nor are they all required in order for an area to be considered a region both Wales and Scotland have borders, functional culture, as well as governments, but areas like New York City or South East London do not and are arguably some of the most successful regional economies in the world. In a slightly different definition, Ohmae looked specifically at region states as more natural, dense economic zones linked together by transport and businesses that have enough knowledge and human capital to create innovation and have the labour to achieve it (Ohmae 1993: 250, Scott and Storper 2003: 582). Ohmae's definition fits better with city regions, as he furthers his definition by stating that the region ought to have between five and twenty million people (Ohmae 1993: 250). This implies that an accumulation of resources, highly concentrated

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capital can benefit regions by giving them all the tools they need to be successful. Ash Amin's *Spatialities of globalisation*, states that despite globalisation, the region remains a significant place for "economic dynamism and competitiveness because spatial proximity encourages trust and reflexivity (Amin 2001: 392-393)." He also suggests that having many similar businesses in an area to share knowledge can create communities around mutual dependence and prosperity creating a prosperous region rather than a prosperous company (Amin 2001: 392-393, Amin 1999: 314-315). Allen Scott and Michael Storper agree in their paper *Regions, Globalization, and Development* by arguing that the most successful regions are dense and have "super agglomerations" (Scott and Storper 2003: 581-584). However, they argue that the region cannot be accumulating goods at the expense of other areas in an economy and that in order to create an overall successful area, more successful regions have to be benefit to less favoured regions (Scott and Storper 1999: 589).

Many scholars agree about the rise of regionalisation and the importance of a region in global economies and territorial development, but not everyone is convinced that regions alone are the best way to create successful economies. On the other side of the argument, John Harrison, author of *Re-reading the New Regionalism: A Sympathetic Critique* believes that much of the regionalist literature focuses on the "motor-regions," and that using these regions to create regional policies could support poor policy solutions (Harrison 2005: 30-31). Mimicking institutions from successful regions, ignores the larger state-wide policy environment and ignores historical path dependency (Harrison 2005: 31-33). He concludes that it is important to put regions into state networks because most states have many layers of governance, which makes the state just as significant in regional development as the regions themselves (Harrison 2005: 42). *John Lovering* author of *Theory Led by Policy: the Inadequacies of New Regionalism* argues, like Harrison, that the New Regionalism offers a fictitious story, which fails to explain current regional success stories (Lovering 1999: 325-326). He further to state that the ideas of regional competitiveness tends to be singularly evaluated on economic competitiveness of companies and firms in a region, not by the overall health of the region and that the new regionalist ideas are misled policies (Lovering 1999: 333-334). Although Lovering does not deny the existence of new regionalism, he believes that it is being sought after for the wrong reason and in a way that does not necessarily create regional competitiveness (Lovering 1999: 337-338).

To better position this paper, it will define a region as: a territorial unit attempting to create an economic cohesion in order to compete in the globalised economy (Keating 2003: 263, Ohmae 1993: 250). The next section will examine the re-emergence of regions as significant places for economic development in Wales and Scotland based on three aspects of each region's economic trajectories. It will analyse whether or not these are natural areas for sustainable economics or if there is something larger necessary to create sustainable growth and prosperity.

Wales and Scotland Regional Economic Success or Failure?

Wales and Scotland gained significant regional powers in 1998 with the devolution referendums endowed each region with its own parliament and certain powers for self governance. These referendum came on the heels of a Conservative, English focused, government, which systematically dismantled large parts of the industry in Wales and Scotland (Bogdanor 1999: 194, 196). Wales was given a conferred powers model, which limited its power to certain subjects including but not limited to: agriculture, economic development, and tourism (gov.uk). Scotland obtained a reserved powers model, which gave it power over its entire territory except for those powers, which England reserved including but not limited to: national security, social security, financial and economic matters (gov.uk). Scotland was also given minimal tax raising powers which have largely been under-utilised (gov.uk). These settlements have given each region territorial self governance and despite the economic problems during the Thatcher era, nearly twenty years later, if

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the new regionalist policies hold true, the economies should show signs of re-emerging as prosperous regions

Each government has produced economic plans for their regions that attempt to evaluate and improve many parts of the regional economy. This paper has chosen to focus on three: businesses, population, and innovation. This is because many of the authors cited above reference the significance of labour capital as well as business networks in creating successful regions. (Scott and Storper 2003: 582-584, Amin 2001: 392-393).

Wales

Long gone are the days when the Welsh economy was on international agendas for its successful coal exportation. However, since the 1980s, new regionalism suggests that smaller regional governments are the best way to create economic prosperity and growth (Jones et al. 398). In 2010, the Welsh Assembly Government published an economic policy paper entitled: "Economic Renewal: a New Direction." This paper has defined a trajectory for Wales in order to bring businesses to Wales. Key points in this policy proposal are: making Wales a more attractive place to do business, broadening and deepening the skills base, and encouraging innovation (Economic Renewal 2010: 1). However, in 2014, Wales was the worst performing region in the United Kingdom, with England as first and Scotland as second and Northern Ireland third (Dickins 2014). Does this mean that the regional policies are unsuccessful? To find out, the next section will evaluate the improvement in the three categories since the economic plan was published.

It seems that the Welsh Assembly Government has successfully made Wales a better place to do business. Although from 2010-2012 there was a stagnation, even a lowering of new business per year, in 2013, Wales added over 3% more new business than in the previous three years (stats.wales.gov.uk). Although the majority of those jobs were construction, professional, scientific and technical jobs ranked second and has increased since 2010 (stats.wales.gov.uk). Despite that unemployment is higher in Wales than any other region, it has lowered unemployment by 2% since 2010 (stats.wales.gov.uk). Furthermore, the percentage of working age adults who have 2 or more A-level qualifications or an apprenticeship has gone up by 7% since 2010, making it almost even with Scotland and England (wales.gov.uk). Innovation is something that is difficult to measure, however one area where Wales is putting a lot of its funding and policy provisions toward is sustainable energy (Energy Wales: A Low Carbon Transition). It is difficult to miss the wind turbines throughout the region and the Center for Alternative Technology, based in Machynlleth, Wales has been working with Westminster to create a zero carbon Britain by 2030 (zerocarbonbritain.org). Many individuals are finding skilled and semi skilled work in the renewable energy sector as it is one of the fastest growing sectors in Wales (gov.wales).

It seems that since 2010, the Welsh Assembly Government has followed through on its proposals to increase economic prosperity in Wales. Wales is nowhere near becoming a motor region like the South East of London but it seems the emphasis on regional economic governance in Wales is paying off. Ohmae would suggest that Wales continues to perform poorly because it is too sparsely populated to be a region state, however Wales's coal background suggests that it does have the potential to be a successful economic power (Ohmae 1993: 250). That Wales is no longer the depressed state that it was at the end of the Thatcher era does suggest the regional policies are benefitting the area.

Perhaps it has not yet found its niche industry that would allow for, as Amin would say, a regional network of cooperation and knowledge sharing that creates a strong region but they are certainly trying (Amin 1999: 314-315). Wales's future may be in sustainable energy. While their program for a sustainable energy is still in development, if Wales were able to be a leader in renewable energy for the UK, they could potentially be a leader in the European Union and

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potentially the world. This future is perhaps a long way off, especially due to the fact that currently Westminster controls much of the sustainable energy policy, but the regional policies indicate that the policy makers are working to make Wales a significant, economically strong region through innovation in an important field.

Where new-regionalism is failing is, as Harrison suggests, that Wales as a region is not self sufficient. Westminster maintains control over much of Wales's policies, especially concerning energy. As Wales only has a conferred powers scheme, it is necessary for the larger state to support Welsh economic development, especially as it is a lower performing region. This would indicate that it is true that Wales as a region cannot singularly overcome its economic problems but the general new-regionalist debates mentioned above have more indicated the importance of connectedness rather than solidarity (Amin 2001, Scott and Storper 2003, Harrison 2005: 42).

Scotland

For a country that does not even have a quarter of the population of England, Scotland has achieved a lot of economic success. Scotland's economic policy, mirrors much of the Welsh economic policies, notably that it is attempting to encourage new business, build skills, and improve development and innovation within its region (gov.scot). Scotland has over time developed a few major industries that have become corner stones of its national economy: finance and oil (gov.scot). In fact, Scotland's industries have been touted by the Scottish National Party as successful enough that they could prop up Scotland's entire economy in an independent country. The State of the Economy document published in 2014 by Dr. Gary Gillespie for the Scottish Government stated that in 2013 Scotland had experienced its strongest recorded growth since 2007 (Gillespie 2014: 2). As Scotland is economically doing very well, the next section will analyse Scotland's growth since 1998 (where available), the beginning of devolution to determine the success of regional governance in the area.

Since 2004, Scotland has seen a 3% rise in new businesses opening per year (statswales.wales.gov.uk). The data as to what types of businesses have opened in this time has proven illusive, but one can discern based on the big industries that the financial sector has taken off and with new technologies in oil extraction, that has probably contributed as well. Like Wales, the majority of businesses in Scotland are in the construction and professional, technical, and scientific sectors with the majority of Scottish citizens are employed in the financial and tourism sector (Businesses in Scotland). Scotland is doing very well to encourage its citizens to be diversified and employed. It has the best overall employment rate in the UK at 74% for ages 16-64 (statswales.wales.gov.uk). It also has the population with the highest overall skill set (either two A-levels, an apprenticeship or more) at 60% of the total population, a full four percentage points higher than Wales, two percentage points higher than England and up thirteen percentage points from 1999 (gov.wales). As for the final point of analysis, innovation and infrastructure in the region, Scotland's position is interesting. Scotland has a "National Renewables Infrastructure Plan," which "aims to assist the development of a globally competitive off-shore renewables industry in Scotland through the creation of infrastructure to support large scale manufacturing, assembly, deployment and operations, and maintenance of offshore renewable energy devices (gov.scot)." This aim is largely for offshore wind farms and for a "hydro nation" (gov.scot). However, it is in direct opposition to what one of their main infrastructure projects and revenue sources, offshore oil in the North Sea. This is a new initiative that is already adding new jobs in Scotland, which has significantly more powers to create a renewable economy than does Wales.

The Scottish case is different than the Welsh case. Scotland has historically performed higher in all three evaluative categories. As it has more people, it is more able to accumulate more resources and as its natural resources are highly sought after, it already has a base economic

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platform with, which to work from. Regionally, the literature would indicate that Scotland is doing fairly well with a large financial and energy sector as its main platforms of economic development. However, Scotland is not a motor region, and there are doubts as to whether it would be able to financially support itself with these industries alone, which a motor region would be able to do. As indicated above, Scotland has continued to improve its economic performance since the onset of devolution, indicating that its regional policies have been successful.

Scotland is a more independent region than Wales and its success would seem to contradict Harrison's assertion that there is a significant interdependency needed to create successful regions. In some ways, it's Scotland's reserved powers model that has allowed it to be as successful as it is, which indicates that regional governance is important for economic success. Scotland fits into Amin's knowledge network with its significant but niche businesses that have propelled the region into success.

Conclusion

This paper would largely agree with the new regionalist literature: regional government has become a significant aspect of the economic success of regions. It evaluates the regional economic policies of Wales and Scotland to understand the importance of regional governance, finding that since the onset of devolution, both Wales and Scotland have improved their economic performance. The trajectories for each region's economic success have begun to be fulfilled in each of the three categories evaluated. Especially significant is that Scotland, which has more regional powers, seems to be succeeding even more than Wales, with fewer powers. This furthers the new regionalist debate that regional government is more successful at producing economic vitality.

Only time will tell whether or not economic success will continue in Wales and Scotland. Wales is pushing its education and sustainability trajectory quite successfully currently however, we have yet to see the true push that makes Wales known for this industry. With proper investment and recruitment, Wales could have a lively sustainable business community, which would foster knowledge transfers, "economic dynamism" in an economically successful region (Amin 2001: 392-393)." It remains to be seen whether Ohmae's five to twenty million population in a region connected by transport and other infrastructure is a necessity for creating the type of region that Wales hopes to become, however they are currently progressing successfully in spite of that, potentially proving that knowledge and business networks are more significant portions of the new regionalism debate.

While Scotland currently has more aspects of creating a successful region, five million people, an already existing knowledge network based on finance and oil, as well as a well skilled and diverse population it remains to be seen whether or not these industries will produce a stable region for the future. Their economic policies have benefitted the region thus far, but it seem they are hoping to move away from these industries that have produced so much success toward industries of the future, even if those industries create a paradox in their current economic stability and their desired economic portfolio. It is important in the new regionalist debate that Scotland believed it could achieve independence based on its current economic success because it indicates that in 20 years since devolution was passed that the regional policies the Scottish government has enacted have boosted the nation's performance and international status, creating the type of region with the potential to be a motor region on the world stage.

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