

## **REGIONAL GOVERNMENT IN BRITAIN - an economic solution?**

**It has been argued that effective regional government could be achieved by democratising the decision-making already occurring at regional level in Britain, and that regional government is essential if regional economic fortunes are to be improved. A study conducted by the European Institute for Urban Affairs (EIUA) at Liverpool John Moores University examined the 'rise of the region' and subjected these two arguments to critical scrutiny. It found:**

- Changes in the pattern of regional administration were most marked in England but that change was ad hoc, patchy and organised primarily for the Government's convenience.
- Institutional difference accounted for substantial variation in regions' capacities to respond to economic change. The degree of regional consensus on economic strategy was the other critical factor.
- European regional governments vary enormously in their abilities to respond to economic change. Many factors that are argued to drive regional economic innovation have little, if any, direct connection with regional government.

### **The researchers conclude that:**

Placing today's regional decision-making under the control of governments elected at that level could result in effective administration in Scotland and Wales, where 'regional' institutions are already strong, but not in England, where growth in regional administration has been chaotic.

A move to regional government in Britain may improve economic performance in the longer term. But much depends on the powers and resources they receive and their capacity to construct the public-private alliances that make regional economic strategies most effective.

### **The rise of the region**

British interests in regions, regionalism and regional government is growing. The temperature of the political debate rose in the later 1980s when nationalist politics in Scotland and Wales intensified. This underlined more general concerns with the perceived centralising tendencies of the Thatcher Governments.

During the 1990s each major political party has supported some form of regionalisation in decision-making. Government reforms have seen certain administrative duties transferred to Whitehall to the Scottish and Welsh Offices. Others have been consolidated within new Government Offices for the English regions. Various non-elected regional bodies have been created. But these changes have only fuelled further concerns about regional accountability and spurred counter-proposals by opposition parties.

### **The European influence**

The new factor in the equation is Europe. It is argued that British regions stand at a disadvantage to their counterparts in other EU countries at a time when the tide of history may be running against nations and nationalism and toward regions and regionalism. As national governments struggle to maintain their dominant roles in an age of economic globalisation, decision-making below the national level is argued to be growing in importance.

In the emerging 'Europe of the Regions', British regions are said to be unable to present a unified voice and to lack institutional strength. This, it is argued, limits their capacity to influence EU policies, secure EU funding, present workable alternative views to those of national government and generally enhance regional control over regional destinies.

### **Two arguments for regional government**

Concern about the unity and strength of regional administration underlies renewed calls for regional government in Britain. One common argument concentrates upon the domestic agenda. It argues British decision-making has already been regionalised to such an extent that effective regional government could be created by democratising what already exists at regional level. The research tested this argument by assessing the degree, form and coherence of regionalisation in Britain in each of the major policy areas.

A second argument implicitly introduces a comparative dimension to the debate. It suggests regional government is increasingly essential to regional economic prosperity. This proposition clearly cannot be fully tested in Britain, which has no elected regional tier. But it is possible to examine the economic effects of different regional institutional capacities because of the contrast between Britain's 'stateless nations' (Scotland and Wales) and the English regions.

The research assessed the perceived contribution of 'regional' institutions to economic change in England's North-East and North-West, Scotland and Wales. It tested views within these areas on what added economic value might result from a regional government, a parliament or an assembly.

The research also looked to Europe for lessons. It examined variations in European systems of regional government and in the recent decentralisation of power to Europe's regions. It also reviewed arguments about the key factors influencing economic growth in Europe's better-performing regions, to see what role could be ascribed to regional government.

### **Regionalisation and regional government**

In Britain, it is only Scotland and Wales that coherent elected regional administration could emerge from the immediate democratisation of decision-making at sub-UK level. 'Regional' administration in these two cases is already strong and coherent.

In England, decision-making has become more regionalised, but primarily to suit the convenience of central government. A few powers and responsibilities have passed down from national level. More have forcibly been passed up from local government. But most increases in English regional capacity have resulted from the creation of new, ad hoc agencies or additional tiers of administration.

The scale and nature of change varies enormously across different policy areas. There are very few links between policy areas. The result is a fragmented English 'system' which helps different government departments streamline administration, cut costs, develop 'government by contract', push the process of priority-setting further down the system, regulate regional utilities and retain control over the direction, if not the minutiae, of policy.

There is little consistency in the boundaries, status, rationales or functions of English regional administration. Recent, chaotic regionalisation has not produced a network of institutions which could easily or quickly be merged, granted legal status and tax raising powers or made geographically coherent and subjected to popular election. To design regional government for England would mean starting virtually from scratch.

## **Regional Institutions and regional economies in Britain**

Differences in administrative powers and structures at sub-UK level also have implications for economic change. Scotland and Wales have significant advantages over English regions when it comes to 'regional' institutions, particularly in economic development. The stateless nations have an edge in terms of 'regional' administrative autonomy and co-ordinating capacity, Ministerial representation within British government, publicly-funded development agencies, inward investment and trade promotion bodies and administrative presence in Brussels.

Greater institutional capacity cannot perform economic miracles for Scotland and Wales. But it has enabled them to adjust to economic changes better than the North-East and North-West, which face similar circumstances. They have much greater capacity, for example, to develop, finance, co-ordinate and manage programmes for inward investment. This is reflected in their performance in attracting overseas firms.

Institutional advantages are taken for granted in Scotland and Wales. Dissatisfaction with the status quo is manifested in support for political or constitutional change. But institutional change is rarely mentioned. Improved economic performance is expected to come from changing the rider, not the horse.

Within the English regions, by contrast, there is a strong desire to acquire the institutional strengths in economic development already enjoyed by Scotland and Wales. Proponents of regional government, who are significantly more plentiful in the North-East, are particularly keen on this. But so, too, are many who see no necessary economic advantages in elected regional authorities.

Institutional factors partially explain the variation in regions' capacities to respond strategically and coherently to economic change. But regional institutions work best when they are seen as legitimate and their actions can be located within a broader regional consensus. The building blocks, again, are firmer in Scotland and Wales.

Private and professional interests organise themselves much more readily at 'regional' level in Scotland and Wales than in England. A sense of nationhood also encourages regional identification. The potential for dialogue between key interest groups is therefore stronger than in English regions.

Support for regional institutions is not directly related to nationalism, though. Scotland and Wales broadly share institutional features, as do the North-East and North-West. But Scotland and the North-East derive greater advantage from their respective institutions. Both exhibit broader support for the actions of institutions, denser patterns of joint working between them and a more widely shared sense of regional economic needs and potential.

## **The European experience**

It is often argued that Britain lags behind many areas of Europe in promoting and managing regional development. This partially reflects a common-sense view that lessons can surely be learned from regions whose recent growth outstrips any in Britain. But it also derives from some controversial assumptions about the role of regional governments.

One is that Britain stands alone in not having a well-developed system of regional government. Another is that Europe's regional economic 'hot spots' are covered by the stronger regional authorities and that these two observations are intimately linked. A third is that other EU countries acknowledge a link between regional democracy and economic growth by decentralising responsibilities to regions so that they can compete more effectively.

The reality is much messier than these assumptions suggest. There is massive variation in the size, strength, status and coverage of regional governments in Europe. In some countries they are very weak and have few economic responsibilities. In others they are stronger but cover small areas which make little economic sense. Some have smaller populations than British cities.

There is an overall trend toward decentralisation but this has not resulted in a general enhancement of the capacity of regional governments to support economic growth. Some countries have followed the UK in building up non-elected economic development capacity whilst strengthening central government's hand at the expense of sub-national elected authorities.

Other countries have moved to sub-national tiers which do not cover the whole country. Of these, some look to base new structures on metropolitan areas rather than traditional regions. In many cases the impetus for change has been cultural and political rather than economic. There is little evidence that reform has explicitly been designed to grapple with economic challenges.

In all European countries, central governments retain enormous influence over the public sector contribution to regional development. They continue to control major items of expenditure and policy and to redistribute significant resources from rich to poor areas. This places strict limits upon regional government autonomy. Partnership between levels of government, rather than the power of one tier, is therefore crucial to regional strategies.

The limited role of regional administration, let alone regional governments, is thrown further into relief by an emerging literature assessing those factors most associated with high rates of regional economic innovation and growth. These accounts argue, largely from case studies of high growth areas, that the 'causes' of economic success are various and often specific to particular places.

They highlight supply-side factors dealing with local skills, specialised knowledge and inter-firm relations. Also important are technological factors relating to higher education capacities, education-industry links, R&D and technology transfer facilities. Behavioural and cultural factors and 'soft infrastructures' are also stressed, including local traditions of networking and inter personal trust.

When institutional factors are stressed, they often involve non-statutory activity, for example by trades and labour organisations, local banks, craft organisations and civic groupings. When public sector activities are highlighted, they are as likely to occur at local as at regional level. They also involve self governing development agencies as much as elected institutions.

'Learning from Europe' is rewarding. But it is much more complicated than is often assumed. Many of the important lessons have little if anything to do with regional government structures.

### **Rethinking institutional change**

Moves toward regional government can clearly be justified on democratic grounds. But the link between regional government and regional economic innovation and growth remains uncertain. Depending on the powers and responsibilities vested in them and their capacity to mobilise other regional interests, regional authorities might encourage improvements in regional economic performance in the longer term. But to assume that a transformation in

economic circumstances will follow automatically upon any form of regional democracy is a leap of faith.

Recent years have seen enormous upheaval in sub-national government and economic development institutions in Britain. A fresh round of reform is likely to encourage defensiveness and conservatism on all sides. A more open-ended debate about the options for change would encourage more positive thinking.

Future debates need to look carefully at the full range of factors associated with improved regional economic performance. They need to examine the role of various public and private agencies in fusing their capacities to promote and manage change. And they need to pose finer-grained questions about lessons from elsewhere. Only then can the minimal necessary implications for institutional reform be teased out.

A more organic debate about regional economic innovation, less dominated by institutional issues, is taking shape. It will be a pity if it is drowned out by louder and cruder voices clamouring for institutional reforms which risk promising more than they can deliver.

### **About the study**

The research team undertook: an audit of recent additions to regional decision-making in major policy areas; case studies assessing economic development policies and institutional capacities in Scotland, Wales and England's North-East and North-West; a literature review on European regional government; trends in decentralisation and the determinants of regional economic change, and; statistical data-gathering for the case study areas.