
Economic Perspective

REGIONAL POLICY IN SCOTLAND - A COMMENT ON THE WHITE PAPER*

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The catalogue of spatial economic and industrial problems in Scotland is extensive. Examples include shipbuilding on Clydeside, urban collapse and social deprivation in Glasgow, rural unemployment and depopulation in the Highlands and Islands, the skewed spatial distribution of oil-related employment and investment in the North East, and the magnified effects of the collapse of specific firms on local economics such as Fort William (paper), Invergordon (aluminium smelter) and Clydeside (shipbuilding).

The traditional response by government to such problems has been regional economic policy. This comprises a range of policy instruments which respond to and compensate for the adverse effects on local and regional economies. The framework of assistance was constructed in such a way as to differentiate between the severity of the problems encountered.

The extent of structural industrial change in Scotland resulted in regional policy becoming an automatic counter-measure to the associated decline. Furthermore, by the mid-1970s, the problems had escalated to such an extent that the safeguarding of jobs, rather than the creation of new employment, became the over-riding objective in practice. This tendency was accentuated by the locational concentration of declining industries in specific areas. Consequently, the role of regional policy was involuntarily upgraded in financial and spacial terms.

Despite the shift in political thinking since 1979, and the apparent alternative emphasis on a market approach, embracing such measures as enterprise zones and freeports the distribution of these designations corresponds in practice to the traditional pattern of decline. Thus, for example, enterprise zones have been designated in Clydebank, Invergordon and Dundee. Most recently, the designation of the freeport in Prestwick, as opposed to the Aberdeen location which appeared to satisfy the growth potential criteria of freeports, has caused significant political controversy. It confirms that enterprise zones and freeports in practice have served to complement and support the traditional regional policy.

The government's recent White Paper may be seen as a critical response to the extensive role regional policy has come to play throughout the economy. The reasons for the White Paper are clear. Under the existing criteria for

* "Regional Industrial Development", HMSO, Cmnd. 9111, December 1983

regional policy, the political and economic arguments for extension in terms of spatial coverage and expenditure could be expected to increase. This expansion in intervention contradicts the governments stated strategy for the economy, which rests on the liberalisation of impediments to economic forces.

To counter this tendency, the government have proposed a rationalisation of regional policy criteria and instruments. Firstly, the inherent bias to automatic support of regional economies is to be reversed. Greater emphasis is to be accorded to the selective arm of policy. This is an attempt to secure net job creation through policy assistance in more labour-intensive sectors and the service industries. Secondly, the tendency towards extended spatial coverage of regional assistance is to be resisted in favour of smaller, more restrictive spatial designation. Finally, and as a consequence of these arguments, the level of aggregate regional expenditure is to be restrained through the adoption of cost-effective criteria for industrial support.

The proposals in the White Paper suggest that future regional policy will be more heavily reliant on cost-effective criteria. This will require priorities to be set between economic sectors, such as the proposed emphasis on the service sector, together with revision of designated areas. The implementation of future regional assistance would appear to be through the traditional policy instruments, but with a relative shift from automatic to selective assistance and expenditure. The implications however are significant in terms of the suggested redrawing of the Assisted Areas map, and the substantial reduction in aggregate expenditure. Thus, certain areas, presently deemed eligible for aid, could face a reduction of this designation and support. This has serious implications for the Scottish economy.

Of equal concern to Scotland, however, is the argument in the White Paper regarding the government's explicit statement of its objectives and the attention accorded its preferred solution, it seems inevitable that present proposals for regional policy are a transitional phase in the liberalisation of the economy. It is here that the implications for Scotland are most profound.