

**Local Governance and Economic Development: Re-figuring
State Regulation in the Scottish Highlands**

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Abstract

This thesis examines the politics of local governance in the Scottish Highlands, taking the Highlands and Islands Enterprise (HIE) network - made up of a central core and 10 Local Enterprise Companies (LECs) - as its institutional focus. It synthesises regulationist approaches and neo-Marxist state theory to explain LECs as part of a broader process of re-regulation under consecutive Conservative governments. LECs are unelected, business-led agencies operating at the local level. The political discourse through which LECs were established and promoted created expectations of local autonomy among business representatives that clashed with the centralising tendencies of Thatcherism. The thesis examines how the resultant tension between local initiative and central control has been worked out within the HIE network. It relies on data collected from seventy semi-structured interviews with representatives of HIE, LECs, local authorities, businesses and community groups.

The initial chapters introduce the research and consider key methodological issues, set out the theoretical framework, and review the practices of the Highlands and Islands Development Board (HIDB, HIE's successor). The thesis then explores the key tension between local initiative and central control, explaining how it has been mediated and resolved through routine institutional practices. It also examines HIE-LECs relations with other key agencies, notably local authorities, through selected examples of multi-agency partnerships and assesses LECs' local accountability and representativeness. Finally, a concluding chapter sets out the main findings and considers their implications.

While key managerial 'technologies' such as targeting, audit and financial controls allow central government to monitor and steer the HIE network, the thesis argues that the authoritative resources of the HIE core - grounded in the combination of local knowledge and technical expertise inherited from the HIDB - enables it to adapt key aspects of the operating regime to its own purposes. Local autonomy is limited by the relative centralisation of the Network, and LECs operate in a system of structured flexibility in which their scope to adapt policy to local conditions is constrained by

state rules and procedures. In emphasising that local autonomy is limited by hierarchical mechanisms of control, the thesis argues that local governance in the Scottish Highlands continues to be underpinned by government. It also points to the limits of the regulation approach and neo-Marxist state theory as theoretical perspectives, suggesting that neo-Foucauldian writings on governmentality are useful in providing stronger analytical purchase on the specific mechanisms and procedures through which state regulation is practised.

I declare that this thesis represents my own work and that where the work of others has been used, it has been duly acknowledged.

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List of Abbreviations.

AIE	Argyll and the Islands Enterprise
APO	Appointability Through Openness
ATO	Accountability Through Openness
CAG(s)	Community Action Grant(s)
CASE	Caithness and Sutherland Enterprise
CBI	Confederation of British Industry
CDB	Congested Districts Board
CLU	Community Land Unit
COSLA	Convention of Scottish Local Authorities
DETR	Department of Environment, Transport and the Regions
EAGGF	European Agricultural Guidance and Guarantee Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FFB	Finance For Business
FSB	Federation of Small Businesses
HIDB	Highlands and Islands Development Board
HIE	Highlands and Islands Enterprise
HIPP	Highlands and Islands Partnership Programme
HOST	Highlands of Scotland Tourist Board

HRC	Highland Regional Council
IDS	Industry Department for Scotland
INE	Inverness and Nairn Enterprise
ISDN	Integrated Services Digital Network
LEADER	Links Between Actions for the Development of the Rural Economy
LECs	Local Enterprise Companies
LL	Lochaber Limited
MBSE	Moray, Badenoch and Strathspey Enterprise
MoR	Mode of Regulation
MSC	Manpower Services Commission
NOSWA	North of Scotland Water Authority
PICs	Private Industry Councils
PMC	Programme Monitoring Committee
RA	Regulation Approach
RACE	Ross and Cromarty Enterprise
RDA	Regional Development Agencies
RoA	Regime of Accumulation
SAC	Scottish Affairs Committee
SALE	Skye and Lochalsh Enterprise
SC(DI)	Scottish Council (Development and Industry)
SDA	Scottish Development Agency
SE	Scottish Enterprise
SEPA	Scottish Environmental Protection

	Agency
SNH	Scottish Natural Heritage
SPD	Single Programming Document
SRB	Single Regeneration Budget
STUC	Scottish Trade Union Congress
TECs	Training and Enterprise Councils
TUC	Trade Union Congress
UDCs	Urban Development Corporations
UHI	University of the Highlands and Islands
WHFP	West Highland Free Press
WIC	Western Isles Council
WIE	Western Isles Enterprise
WISL LEADER	Western Isles, Skye and Lochalsh LEADER
WITB	Western Isles Tourist Board

Chapter 1

Examining Local Governance in the Scottish Highlands: Research Focus and Methodology

1.1 Introduction

In the early days particularly there was a lot of tension between LECs generally and HIE ... There still is tension, but it was particularly marked in the early days ... between [the] doctrine that business people are now in charge, they can do what they like ... which was ... typical government rhetoric of the time... and the fact that on the other hand these were bodies that were dishing out large sums of public money, and the ... constraints on all of that were very marked.¹

This thesis examines the politics of local governance in the Scottish Highlands. It takes the Highlands and Islands Enterprise (HIE) network - made up of a central core and 10 Local Enterprise Companies (LECs) (Fig 1.1) - as its institutional focus. By stressing the crucial tension between the project of incorporating business elites into state structures and established norms of public accountability, the above quote locates HIE within a broader process of state restructuring. The research uses the HIE example to explore wider contradictions and tensions. It examines how local-central tensions have been worked out in practice, and asks what this reveals about the broader dilemmas of state restructuring in a world in which economic globalisation is confronting the nation state with new challenges.

Centralised power structures have been widely criticised and discredited since the late 1970s (Morgan and Roberts, 1993). Under the intellectual and political hegemony of the Conservative Right, many Western countries have experienced programmes of reform aimed at dismantling the centralised structures of the Keynesian Welfare State. In the United Kingdom, processes of decentralisation assumed a distinctive form as consecutive Conservative governments established a series of unelected business-led local agencies in the 1980s and early 1990s (Training and Enterprise Councils (TECs), LECs, Urban Development Corporations (UDCs), Housing Action Trust (HATs), NHS Trusts, etc.). Much recent research has claimed that these reforms have brought about a shift from traditional forms of local *government* to a more complex and diverse system of local *governance* (see section

1.3) (Jessop 1995b, 1997a, c; Painter and Goodwin, 1995, Goodwin and Painter 1996; Rhodes, 1996; Jones, 1997a, b, 1998b; Stoker, 1998). The reforms were promoted and justified through an anti-statist rhetoric which claimed that local bodies would restore individual responsibility for the provision of key services and allow communities of 'active citizens' to manage their own affairs, thus ending the 'dependency culture' created by the welfare state (Morgan and Roberts, 1993; Kearns, 1995). Against this, critics have raised concerns about the accountability and democratic legitimacy of unelected 'quangos' (Stewart, 1995; Weir, 1995).

This process of organisational reform suggests an underlying contradiction: policies which ostensibly aimed to promote and extend market forces seem to require distinct forms of institutional intervention (Peck, 1995). This thesis is informed by the assumption, derived from regulation theory, that markets are not self-regulating. Rather, expanded accumulation depends upon successful regulation. That is, sustained periods of economic growth depend upon the parallel institutionalisation of a range of social rules, practices and norms (see Section 2.5) (Aglietta, 1979; Lipietz, 1986, 1992; Boyer, 1990; Jessop, 1990a). While there is no dominant 'subject' of regulation, the state has become a key site for the regulation of economic and social relations over the course of the twentieth century (Painter and Goodwin, 1995).

After replacing the HIDB in April 1991, HIE took over responsibility for the provision of economic development assistance and training in the Highlands. LECs are local employer-led agencies which deliver services on the basis of an annual contract with HIE. Although LECs were established as part of the general process of decentralisation, in the Highlands these forces interacted with pre-existing institutional forms. To adapt a metaphor from another context, the thesis focuses on the combination of institutional 'layers',² regarding the HIE Network as the product of the interaction between underlying forces of state restructuring and the pre-existing structure of local and regional organisations.

This introductory chapter introduces the research problem and outlines how the research was undertaken. Section 1.2 lists the main aims of the research. Section

1.3 considers how processes of state restructuring have led to the emergence of new forms of governance. It outlines the structure of local governance in the Scottish Highlands in relation to these wider changes. Section 1.4 focuses on the 'doing' of the research, specifying the main methods and procedures adopted and discussing the principal methodological issues encountered. Section 1.5 outlines the structure and contents of the remainder of the thesis.

1.2 Research Objectives

The general aim of the thesis is to contribute towards a clearer understanding of emerging forms of local governance in Britain. Although this study focuses on institutional relations in one particular region, the type of 'intensive' research employed can generate insights into the nature of the underlying processes which also affect other regions (Sayer, 1992a). The research addresses current issues in economic and political geography, and examines which theoretical perspectives are best able to account for and explain recent changes in the structure and orientation of the local state. A number of more specific research objectives inform what follows:

1. To examine how processes of political decentralisation have been worked out in a specific local/institutional context. By focusing on the HIE Network, the thesis aims to explore how these processes have been conditioned and shaped by pre-established features of the political system and the local/regional context. In this way, it will provide insights into the nature of state restructuring in Britain at a time when apparent shifts of power 'upwards' to supra-national political institutions and 'downwards' to regional and local organisations are raising profound questions about the future of the nation state (Swyngedouw, 1992, 1997; Jessop, 1994; Amin and Tomaney 1995);

2. To investigate how state institutions function within their local social and economic environments, and assess the extent to which state agencies are open to local agendas and community involvement. Adopting a view of the 'local' as fractured and contested (Massey, 1991) and informed by the notion of 'strategic selectivity' (Jessop, 1990b,

1997b, 1998b), the thesis examines the accessibility of LECs to the claims of different social groups. It raises crucial issues of accountability, representation and participation as it assesses the capacity of state agencies to incorporate and integrate different groups. In operationalising some of the key insights of 'strategic-relational' state theory in local research, the thesis contributes towards an emerging research agenda (Jessop, 1997a, b, d, 1998 a, b; Collinge and Hall, 1997; Jones 1997a, b, 1998b; MacLeod 1997b, 1999; MacLeod and Goodwin, 1998, 1999);

3. To develop an understanding of the role of state agencies in regulating local and regional economies. This is informed by the regulationist principle that the 'objects' of regulation are (re)constituted through the process of regulation itself (Jessop 1990a, 1997b, d; Painter and Goodwin, 1995), and can be seen as part of a broader research agenda examining the discursive construction of economic space (Daly, 1991; Leyshon and Tickell, 1994; Jessop, 1997b, d). The research focuses on the specific practices and mechanism deployed by local state agencies and draws attention to the importance of knowledge and expertise in framing and justifying intervention in local economies (Painter, 1997b);

4. To examine which theoretical perspectives best inform accounts of local governance and to show how empirical analysis can contribute to the development of these perspectives. In this sense, the research seeks to be both theoretically informed and theoretically informative, using empirical material and key findings to examine underlying theoretical principles (MacLeod and Goodwin, 1999). It assesses the relative merits of three main approaches - regulation theory, neo-Gramscian state theory, and governmentality theories.

1.3 Local Governance and State Restructuring

Although the term 'governance' has traditionally been used as synonym for government, it has acquired a distinct meaning in recent years (Rhodes, 1996; Stoker, 1998). Governance is now used to refer to a new process of governing. This change can be explained in relation to the distinction between markets, hierarchies and

networks as modes of resource allocation and organisational co-ordination (Jessop, 1995a: 310-11; Rhodes, 1996: 653). In contrast to traditional hierarchical modes of government, contemporary forms of governance rely on networks to a much greater extent. They reflect a blurring of the distinctions between market, state and civil society (Stoker, 1998). Governance refers to a complex process of governing which requires that the activities of a diverse range of actors and agencies be co-ordinated. This tends to be achieved through the steering of institutional networks that rely on trust and processes of mutual adjustment rather than administrative fiat (Rhodes, 1996: 653). Both Jessop (1995a: 314, 319) and Rhodes (1996: 660) define governance as the self-organisation of inter-organisational networks, suggesting a relative autonomy from formal structures of government. This broad concern with a range of actors drawn from and beyond the state distinguishes analyses of governance from the traditional concern with government (Jessop, 1995a; Goodwin and Painter, 1996). There is no *a priori* presumption that governance mechanisms are anchored primarily in the sovereign state (Jessop, 1995a: 310-11).

The rise of local governance must be viewed in the context of national state restructuring. It is often argued that economic 'globalisation' is leading to a 'hollowing-out' of the state as power shifts upwards to supra-national authorities and downwards to local and regional institutions (Jessop, 1994, 1997b; Amin and Thrift, 1995; Storper, 1995). This is said to be associated with a *relativisation of scale* as the nation state loses the primacy that it enjoyed under Fordism as the key site for the regulation of economic and social relations (Jessop, 1997c, d; Swyngedouw, 1997; MacLeod and Goodwin, 1998, 1999; MacLeod, 1998b). The subsequent adjustment of state capacities can be seen as the product of three inter-related processes (Jessop, 1997c, d). First, de-nationalisation refers to the process of 'hollowing-out' as local/regional and supra-national organisations assume increased responsibilities. Second, de-statisation refers to the shift from government to governance discussed above as the state withdraws from direct service provision in certain spheres of activity, increasingly relying on partnerships and community initiatives to deliver policy (Jessop, 1997d).³ Third, internationalisation reflects a number of inter-related tendencies: the increased importance of the international and global environment in

shaping state capacities and policies; the rapid transfer of policy initiatives between national regimes; and the efforts of regional authorities to develop closer links with one another, often by-passing national institutions (Jessop, 1997c, d; MacLeod and Goodwin, 1999: 3).

While this provides a useful framework for contextualising and interpreting changes in local governance, these claims involve substantial empirical generalisation and do not necessarily reflect irreversible processes of structural transformation (MacLeod and Goodwin, 1999: 3). As such, whether or not they are realised in specific local contexts will be contingent upon the strategies and practices of particular institutions and actors. The thesis questions accounts of local governance based on simple notions of 'hollowing-out', arguing that key agencies were established as part of the nation state's effort to adjust to economic globalisation and pointing to its continuing importance in underpinning and steering local institutional networks.

Jessop (1997a) draws on the idea of policy cycles to argue that the current interest in local governance reflects a new phase of state restructuring. The 1980s' reliance on the introduction of market disciplines, itself a reaction to state failure in the 1970s, has been superseded, though not wholly replaced, by a new mode of local governance defined by its reliance on the self-governing capacities of local partnerships and networks. While this aims to co-ordinate the activities of state agencies, it does so on terms and conditions established by the earlier process of restructuring.

In the 1980s, the Conservative government sought to curtail and control the activities of elected local government, imposing rigid financial constraints and by-passing local authorities through the creation of special-purpose organisations (TECs, LECs, UDCs, NHS Trusts, etc.) (see Jessop *et al.*, 1988; Goodwin 1992; Stewart and Stoker, 1995). In other areas such as social work and housing, the state sought to devolve responsibility by involving voluntary and private agencies in service delivery. At the same time, compulsory competitive tendering imposed a market logic on many local services, drawing private interests into networks of providers. Rather than

signalling the retreat of government and the inexorable advance of the private sector, these reforms were part of a political project designed to 'reinvent' government through the wholesale introduction of business practices and norms into the public sector (Bailey *et al.*, 1995: 230-31). The outcome is a profound blurring of the boundaries between public and private sectors.

Unelected local agencies were established as part of a broader process of state restructuring. Conservative governments created new institutional structures to incorporate selected interests (business) in policy delivery whilst marginalising groups whose 'excessive' demands were identified as a major cause of state failure in the 1970s (organised labour and elected local authorities) (Jessop *et al.*, 1988; Peck, 1995; Jones, 1997a, b). LECs and TECs (their equivalents in England and Wales) can be seen as institutional 'metaphors' of (late) Thatcherism, embodying this broader agenda (Peck and Jones, 1995: 1364). Launched in 1988-89 at the peak of Thatcherite confidence in its capacity to revitalise the economic and social fabric of British society, LECs and TECs reflect the shift towards a focus on supply-side measures as the core of local economic policy (Chapter four) (Peck, 1992; King 1993; Bennett *et al.*, 1994). This thesis places the evolution of HIE LECs within the broader context of state restructuring, showing how the contradictions and tensions contained within this broader project are played out in particular regional and local spaces.

More recently, the central state has encouraged, through specific funding initiatives, the development of multi-agency partnerships as a means of co-ordinating organisational activity (Peck and Tickell, 1994b; Bailey *et al.*, 1995; Jones and Ward, 1997). This in part a response to the unintended consequences of the 1980s reforms, namely considerable fragmentation, duplication and confusion between a range of initiatives and agencies, failings noted by the Audit Commission in 1989 (Bailey *et al.*, 1989: 60-64). Given the relativisation of scale, recent initiatives reflect not only the efforts of central government to promote economic development after Fordism, but also, increasingly, the activities of supranational institutions, particularly the EU (European Union). As a key funder of local economic development, the EU's insistence that its programmes are delivered through integrated partnerships is of

crucial importance in re-shaping local institutional structures (Tommel, 1997; Ward and McNicholas, 1998; MacLeod, 1998b). Although there is a tension between the neo-liberal policies followed by British governments and the interventionist logic of European integration, the shared emphasis on partnership, local initiative and community involvement gives significant points of convergence (Ward and McNicholas, 1998: 29). The thesis examines the dynamics of partnership in the Scottish Highlands, investigating the extent to which inter-organisational relations are conditioned by the effects of earlier reforms.

Many of the issues addressed in this thesis have been the subject of heated political debate in recent years. The expansion of unelected state agencies under the Conservatives is popularly represented in terms of the growth of a 'quango' state threatening traditions of local democracy and accountability. In the run-up to the May 1997 General Election, 'quangos' became an important political issue as the opposition parties sought to portray the reliance on unelected local agencies as symptomatic of the political 'sleaze' engulfing the 1992-1997 Conservative administration (Stewart 1995; Weir, 1995). A vast number of appointments to these bodies were controlled by government ministers, leading Davis and Stewart (1993) to proclaim the rise of a 'new magistracy' of unelected local elites, usually drawn from the business sector, who were suspected of having close links with the Conservative Party (also Morgan and Roberts, 1993; Stott, 1995; Weir, 1995; Hirst 1995; Jones, 1997a). Concerns about local political accountability reflect unelected agencies' overwhelming dependence on financial and contractual relationships with central government, leading to fears that the role of local 'quangos' was simply to deliver central government policy irrespective of local preferences (Morgan and Roberts, 1993; Stewart, 1995; Weir, 1995). Indeed, the strong presence of unelected agencies in the old industrial regions, the heartlands of 'municipal socialism', suggests that they were used to contain and manage resistance to the Thatcherite project (Hudson, 1994; Jones, 1997b).

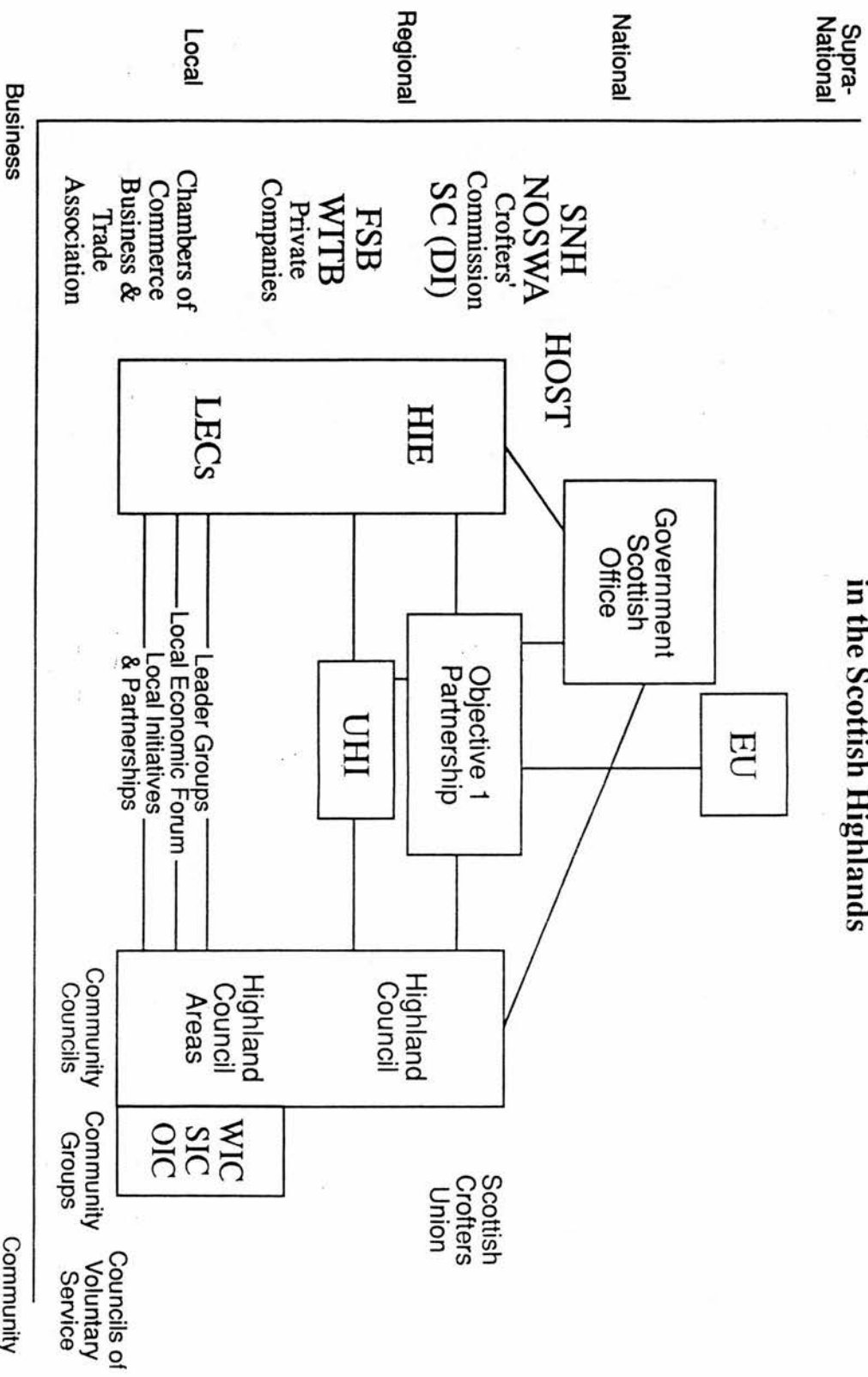
In defense of its reforms, one minister claimed that the government's efforts to make public services more responsive to their consumers had led to a 'democratic gain', given that the basic structure of accountability to parliament remained

untouched.⁴ Eventually, however, the activities of the Committee on Standards in Public Life, chaired by Lord Nolan, in investigating *Local Spending Bodies* gave official credence to public concerns about the growth of a 'quango' state. Since then, concerns about unelected local agencies have been eclipsed by the election of a New Labour government. The thesis is therefore able to consider the longer-term implications of the fundamental changes in state organisation in the 1980s and early 1990s in the light of a recent change of government. Despite some radical pre-election rhetoric, the Blair government has shown little inclination thus far to restructure the system of local governance that it inherited. In the longer-term, however, its commitment to regional devolution promises, in the context of rapid European integration, to lead to a fundamental restructuring of the spatial organisation of governance (Nairn, 1997; MacLeod and Jones, 1998; MacLeod and Goodwin, 1999).

One of the distinctive contributions of this research is the deployment of a conceptual framework derived primarily from work in urban studies to a study of rural governance. Despite the fact that the establishment of a range of unelected agencies has transformed the institutional geographies of rural areas, questions of governance have, at least until recently, been neglected within rural studies (Goodwin, 1998a). As a result, theoretical claims tend to be grounded in studies of selected urban areas. This thesis aims to help redress the balance by providing a detailed account of recent changes in the structure and practice of governance in the Scottish Highlands. A case study of a peripheral rural region allows claims - derived from studies of urban change - that new institutional arrangements are locally 'embedded' (Amin and Thrift, 1994a, b, 1995) to be re-assessed in the light of the distinctive historical experience of the Highlands. In contrast to the current focus on business mobilisation in areas with a strong tradition of business representation (Peck and Tickell 1995b; Ward, 1997; Horan, 1997), the thesis concentrates on a peripheral region in which the private sector has, historically, been under-represented.

While the HIE Network forms the main institutional focus of the research, the thesis places it within the broader structure of local and regional governance (Fig 1.2). The other key actors include: seven single-tier local authorities (since the April 1996

Figure 1.2 - Institutional Structures of Governance in the Scottish Highlands



re-organisation); other unelected government agencies such as Scottish Natural Heritage (SNH), the Crofters' Commission, the Scottish Environmental Protection Agency (SEPA) and the North of Scotland Water Authority (NOSWA); bodies set up to administer European programmes such as the Objective I partnership and the various LEADER groups; the various area tourist boards, re-organised in 1996, particularly the Highlands of Scotland Tourist Board (HOST) and the Western Isles Tourist Board (WITB); employers' organisations, mainly Chambers of Commerce, the local branch of the Federation of Small Businesses (FSB) and local business and trade associations; community and voluntary groups such as the Councils of Social Service, community councils and community associations. The relationship between HIE-LECs, local authorities and European bodies is of central importance, although the role of community and business organisations is also considered. It is immediately apparent that the 'localness' of this system of governance is questionable since many of the key organisations are central government agencies or European-funded bodies (Goodwin and Painter, 1996). The increasingly important role of the EU in funding and monitoring local development programmes is a key feature of governance in the region. The scope which these institutional arrangements offer for local initiative and community 'empowerment' is a key theme running through the thesis.

Having established the substantive focus of the research and related it to the wider context of state restructuring, it is now appropriate to state the main research questions. These provide the focus and direction that allows the research objectives listed earlier to be addressed.

1. How have the tensions between local initiative and central control have been played out within the HIE network since 1991? As the opening quote stated, LECs were promoted and legitimated through an official rhetoric of business leadership and local involvement (IDS, 1988, 1989). At the same time, however, many aspects of Conservative policy were leading to a centralisation of power (Gamble, 1988; Jessop *et al.*, 1988). While many studies have focused on the mobilisation and representation of local business elites, the thesis goes beyond this to examine how the activities of local agencies are regulated by the centre. It also considers the significance of the

previous structure based on the HIDB in shaping and conditioning power relations within the HIE Network. One key issue concerns the function of intermediate tiers of the state like the Scottish Office and HIE core which have no equivalents in England and Wales. Do they give regional elites a stronger capacity to adapt central initiatives to their own purposes?

2. How are partnerships actually structured? Where does the pressure for partnership stem from and to what extent do partnership arrangements reflect underlying relations between HIE / LECs and local authorities? This involves critical analysis of the concept and practice of partnership, cutting beneath the rhetoric to examine actual power relations.

3. To what extent are local state agencies like LECs open to community involvement and local agendas? This raises critical questions about accountability, participation and representation. In common with other agencies dominated by local business elites, LECs have been widely criticised for their lack of local political accountability. The thesis examines the mechanisms they have developed to overcome these difficulties, asking whether these are sufficient for them to develop credibility and legitimacy within local communities.

1.4 Methodology

This section describes how the research project was designed to answer these key questions, outlining the methods employed and discussing the main methodological issues encountered. Decisions about method and research design are best justified by demonstrating their 'fit' with the aims of the research and the orientation of the research questions. They should also be consistent with the theoretical perspectives and philosophical stances that inform and underpin the research. The research is underpinned by a 'loose' version of critical realism which sees realism as an ontological position rather than as a fully developed set of methodological procedures (Yeung, 1997). The crux of the realist position is the claim that there is an independent reality, made up of social objects and structures, although,

crucially, our knowledge and understanding of this 'reality' is always partial and provisional, being channelled through language and discourse (Sayer, 1992a, b; Pratt 1995; Yeung, 1997).⁵ Although there is no direct correspondence between philosophical claims and the use of particular methods, the adoption of a particular philosophical position does have important methodological implications which require to be worked through in empirical research (Pratt, 1995; Yeung, 1997).

1.4.1 Research Design and Methods

The research relies upon qualitative methods with semi-structured interviews providing the main means of data collection. Most of these can be seen as 'corporate interviews' in that they focused on key decision-makers within relatively powerful organisations (Schoenberger, 1991). While research in economic and political geography has traditionally been dominated by quantitative techniques, in recent years the 'cultural turn' has encouraged the use of qualitative methods (Schoenberger, 1991; Clark, 1998). Interviews form an appropriate method of data collection because they are (potentially) able to illuminate the motivations and rationales of key actors and institutions (Schoenberger, 1991). Crucially, in contrast to standardised questionnaires which structure responses according to the researchers' categories, qualitative interviews allow respondents to frame accounts in their own terms (Baxter and Eyles, 1997). This project's use of semi-structured interviews enabled respondents' to articulate their own views and perspectives on the shaping of power relations within the HIE network since 1991.⁶ From a realist perspective, interviews are often favoured because of their capacity to highlight the discursive and representational practices through which actors interpret and frame 'reality' (Pratt, 1995). In this way, research can provide insights into how social structures and causal mechanisms are 'activated' through human action (Giddens, 1984; Sayer, 1992a).

Seventy semi-structured interviews were conducted between November 1996 and November 1997, supplemented by documentary analysis and the collection of some basic statistical information. Analysis of key documents - HIE and LEC annual reports, strategies and business plans, council plans - allowed the key issues emphasised by these organisations to be identified (not necessarily the same as those

identified by the academic literature) and incorporated into interview schedules. Prior documentary analysis also drew attention to the crucial promotional function of these documents with annual reports and strategies often used to justify and legitimate organisational policy to key constituencies. The purpose of the interviews was to get beyond these public narratives and show how institutional practices and strategies tend to be framed by a range of often competing rationales and motivations. The aim was not to uncover an underlying 'truth' concealed by public discourses, but rather to question institutional accounts in order to demonstrate that they are constructed from particular positions.

It was anticipated, however, that a research strategy relying primarily on interviews to achieve this would encounter substantial difficulties. Interviews provide largely retrospective accounts of the rationales and dilemmas underlying institutional strategy and practice. As such, they offer 'snapshots' of how on-going processes are viewed and represented. Moreover, since respondents were interviewed as representatives of their organisations, there was no reason to expect that interviews would be immune from the tendency to provide promotional accounts of organisational activity. This was reinforced by the experience of some early interviews in which respondents tended to lapse into the delivery of corporate scripts after positioning the researcher as an external observer. The research sought to address this issue by adopting a 'triangulation' strategy. This was 'triangulation' in terms of collecting data from multiple sources rather than the employment of a range of methods (Silverman, 1993: 156-58; Yeung, 1997: 64; Baxter and Eyles, 1997: 514). The project gained access to 'external' perspectives on the role of HIE-LECs by interviewing business representatives and community activists in addition to institutional personnel (Appendix 1.1, 1.2). The former were asked about their views on LEC policy and practice as it affected them, as were local authority personnel. In this way, the thesis addresses the tendency of recent research to neglect how institutional discourses and strategies are received and interpreted within local communities. The number of interviews conducted with different groups is shown in Appendix 1.2. Approximately two-thirds were conducted with representatives of the key organisations - HIE, LECs, local authorities, European funding bodies - and the

remaining third with 'external' representatives.

It was important, however, to distance the research from some of the more deterministic overtones that the term 'triangulation' has acquired in the methodological literature. In particular, it rejects 'vulgar' notions of triangulation which see the integration of different methods or data sources as the route to a more accurate and complete account of the research problem (Coffey and Atkinson, 1996: 14). Neither has 'triangulation' been employed to adjudicate between respondents' competing versions of key issues in the sense of claiming that one set of accounts is somehow more authentic or representative (Silverman, 1993: 157-8). Rather, different groups were interviewed in order to explore different facets of the research problem (Coffey and Atkinson, 1996: 14-5; Yeung, 1997: 65). The aim was not to replicate and confirm emergent findings, but to examine how different groups are linked to the key research 'object' (LECs), and, thereby, to explain the substantive relationships structuring the politics of local governance in the Scottish Highlands (Yeung, 1997: 65).

Data was collected at two spatial scales: regional and local. This approach followed the structure of the HIE Network in terms of the division between a central strategic core and 10 LECs. The first round of data collection focused on the regional level, involving 10 interviews with personnel from the HIE core, the Highland Council and the Objective 1 partnership (Appendix 1.1). The next key decision involved the selection of three local study areas. After a review of basic statistical information, Easter Ross (which contains about 85 per cent of the population of the larger Ross and Cromarty LEC area), Skye and Lochalsh and the Western Isles were chosen on the basis of their contrasting economic conditions (Fig 1.1) (Appendix 2.2).

Easter Ross was transformed by large-scale industrial development in the late 1960s and 1970s but has since suffered from major employment losses. It is thus confronted with severe problems of industrial adjustment and structural change. Skye and Lochalsh, by contrast, has experienced rapid population and economic growth since the mid-1970s after decades of decline, creating problems of growth in terms of

providing adequate levels of employment, housing and community facilities. The Western Isles, however, retains many of the characteristics of economic marginality: out-migration, high unemployment, low incomes and an over-dependence on the primary sector (Appendix 2).

These three areas, then, present LECs with contrasting challenges and the research examines their capacity to develop distinctive local initiatives to address these. In this way, the selection of study areas was guided by the basic aims of the research. While they enable the relationship between economic diversity and institutional 'sameness' (LECs have a common structure and remit) to be explored, these areas do not function as conventional case studies. The thesis does not present detailed comparisons of conditions within them.⁷ Rather, the three study areas have been selected to provide representative coverage of local economic conditions within the Highlands. The aim is to construct a general picture of LECs' capacity - given their relations with HIE and central government - to address diverse local conditions. Most of the empirical material relating to LECs was collected in Easter Ross, Skye and Lochalsh and the Western Isles, though five of the remaining seven LEC areas were visited and interviews conducted with a LEC official and a local authority officer (Appendix 1.2). After the local research was completed, the study returned to the regional level for a further round of interviews designed to re-assess regional actors' perspectives on their relations with local agencies in the light of local findings (Appendix 1.2).

The recruitment of respondents was based on 'theoretical' or 'purposeful' sampling in which the concern is to establish contact with people in key positions who can provide high-quality information and insights on the main research issues (Cook and Crang, 1995; Baxter and Eyles, 1997: 513). This contrasts with conventional approaches to sampling where the aim is to ensure that respondents are representative so that statistical techniques can be used to generalise findings to the wider population from which the sample is drawn. Initially, an introductory letter stating the nature of the research and requesting permission to interview staff was sent to the Chief Executive of HIE. A senior official responded, saying that while they would be

pleased to assist the research and arrange an interview with a key official, demands on their time meant that they could not promise any more.⁸ After visiting HIE to interview the 'gatekeeping' official who replied to the initial letter and another official who was later suggested, however, other people were identified who provided, in turn, further contacts when interviewed.

Respondents were therefore recruited through a 'snowballing' strategy in the sense that they were identified and approached as a result of the accumulation of contacts during the course of the research. In contrast to the norms of quantitative research where respondents are usually identified in advance, this reflects the 'qualitative logic' of much research based on interviews where research design is revised and modified as the research proceeds (Sayer, 1992a). Establishing contacts with LECs proved much easier, reflecting their 'front-line' role as service providers and the fact that the researcher was able to state that he had already spoken to people in HIE. A letter was sent to each LEC to be visited, stating the nature of the research and the main areas of interest. They then selected the people to be interviewed on this basis. It was not practical to identify 'external' respondents in advance: the 'right' people to talk to could only be identified in the field after asking LEC and local authority staff which businesses and community groups had recent involvement with their organisations. Any danger of 'bias' that this practice introduced was contained, however, by the need to interview people from the same groups and the knowledge of key issues, individuals and groups produced by earlier readings of the corporate literature and local press. It was important to maintain the structure of the research by ensuring that people drawn from the same range of groups were interviewed in each of the study areas (Appendix 1.1).

1.4.2 Interview Practices

The programme of semi-structured interviews involved the formulation of a basic schedule of key topics to be covered. This took the form of a 'checklist' rather than any standardised sequence of questions. There was no set order to the discussion in order to allow flexibility and ensure that respondents were able to emphasis key issues in their own terms. In this sense, each interview was unique. Yet schedules

were designed so that the same range of topics were covered in interviews with respondents drawn from the same groups (see Appendix 1.3). The use of schedules was important since an unstructured format may have made it easier for respondents who were highly articulate 'experts' accustomed to representing their organisation to other agencies, the public and press to 'take over' the interview (Schoenberger, 1991: 182-3; Thomas, 1995: 10-11). A prepared list of topics made it easier for the researcher to retain a measure of control in guiding the discussion. While interviewer control can only ever be partial (McDowell, 1992),⁹ the practice of following up initial inquiries about a topic with more detailed and demanding questions enabled respondents' claims to be critically examined. That said, it proved difficult in some cases to get beyond public discourses, with some respondents consulting or even reading from strategy documents and business plans during the interview.¹⁰ Efforts were made to question these claims, but this can only be done gradually and subtly in order not to appear overly hostile and avoid damaging the rapport that had been built up. These difficulties reinforced the need to interview a range of respondents drawn from different groups.

Another issue that emerged as the empirical research got underway stemmed from a growing awareness of a linguistic and conceptual gap between the theoretical categories framing the research and the priorities and concerns of respondents. As Hirsch (1995: 77) observes, the concepts driving research are largely irrelevant to organisational and business elites pre-occupied with immediate operational issues. State agencies do not have "departments for contingent accumulation strategies" (see Jones, 1996b: 22). This suggested a need to 'package' research questions and objectives to make them appear relevant to respondents. One tactic adopted for getting round this problem involved detailed readings of the corporate literature before the interviews were conducted. The schedules that were then drawn up were structured by analyses of both these official reports and the wider academic literature. What was crucial was that specific interview questions were under-determined by underlying theoretical categories and that these questions were couched in the operational language used by respondents. Otherwise, the credibility of the research would have been threatened as many of the suspicions that 'corporate' actors tend to have about the

value and purpose of abstract academic research would have been confirmed.

Maintaining credibility demands that the researcher is able to translate between academic and operational languages. For earlier interviews, after a number of requests, the practice of sending suitably 'packaged' summary schedules to respondents in advance was adopted. This was later abandoned, unless specifically requested, because it was felt that it may, in some cases, have encouraged prepared responses. While abstract theory is rarely of interest to organisational actors, the broader policy issues addressed by research often are. Responses to interview questions are not uniform, varying according to the positions, interests and backgrounds of the individuals concerned. While all respondents answered questions willingly, some showed more interest in the research, assuming a role as insider/ critic by adopting a revelatory stance where they tell what 'really' goes on within the network (Clark, 1998). These were often people who were either politically active or in a position less bound up with the workings of operational procedures (members rather than officials), giving them an awareness of, and the space to reflect on, broader political issues. Quotes from these key interviews form much of the empirical material contained in later chapters.

While the substantive material collected from interviews forms the main data for this research, the process of data collection was clearly structured by a number of 'social' factors framing interaction within the interviews. The researcher's background in the sense of being from the Highlands had some influence, though it is impossible to state exactly how it affected the research. Certainly, respondents made presumptions along the lines of 'you're from a place like this, so you'll know ...'. In a small number of cases, it helped gain access to particular actors and organisations, though this was the exception rather than rule. But it did not generally provide privileged access or insight, and perhaps encouraged a 'taken-for-grantedness' in the sense of respondents not expanding upon certain sensitive issues because they assumed prior knowledge while this researcher's 'local' background may have blocked questioning of some familiar interests of local politics and culture.

The interviews with institutional personnel were conducted in formal workplace settings, often open-plan offices (sometimes more 'private' seminar rooms), advantaging the respondent given the everyday familiarity of this environment. In order to ensure credibility, it was important that the researcher appear knowledgeable about the key issues (Schoenberger, 1991; Thomas, 1995). In this sense, background preparation was vital. Yet appearing too knowledgeable would have been likely to inhibit respondents and to create the impression that there was little of value they could add. The 'presentation of self' was cross-cut by a number of conflicting tactics. Rarely were conscious decisions taken about how to appear; rather, interactions were structured by the interaction of a number of intangible factors beyond the control of either interviewer or respondent.

The intention was to record the interviews with institutional representatives. In the majority of cases, after being assured that confidentiality was guaranteed, respondents agreed to this.¹¹ This allowed responses to be read and analysed in detail. By contrast, the decision was taken not to record interviews with 'external' representatives.¹² This decision can be justified on a number of grounds. First, the detail of the responses was less important for these interviews since the intention was not to interrogate organisational narratives but rather to collect additional perspectives and viewpoints on key aspects of LEC policy and practice. Second, it was often necessary to ask about a particular groups' role and aims in order to establish a rapport that enabled the researcher to ask respondents for their views on LECs, avoiding the response of 'well, you'll have to ask them that'. Since this was not of intrinsic interest to the research, it was less important to 'capture' the material on tape. Third, it was felt that recording these interviews, usually conducted in less formal settings, might prove intimidating to respondents lacking the formal resources of public authorities. Moreover, the organisations they represented were often locked in contractual relationships with LECs.

Throughout the thesis, quotes taken from un-recorded interviews are presented in italicised form in order to distinguish them from quotes based on recorded interviews.¹³ This reflects basic differences in the ways that these two forms of data

were collected and processed. While quotes taken from recorded interviews are based on verbatim records of the respondents precise words, those constructed from unrecorded materials tend to offer 'clipped' versions of respondents words (Cloke *et al.*, 1997) from which many of the nuances, ambiguities and hesitations have been lost. Data was collected from unrecorded interviews through detailed note taking. The use of a schedule of topics allowed the information to be written in transcript form (separating interviewer questions from respondents replies), both in the interview and immediately afterwards when the notes were expanded. These notes were then typed up and coded in a similar fashion to the recorded interviews, though the differences between excerpts based on recorded material and those constructed from notes were borne in mind during the analysis of the data.

1.4.3 Coding and Analysis

The recorded interviews were transcribed verbatim from the tapes and the non-recorded ones from the expanded notes.¹⁴ Following this time-consuming process, the next stage was to code the data. Coding is a fairly standard procedure in the analysis of qualitative data; indeed, some commentators fear that the influence of software packages is turning code-and-retrieve approaches into an "emerging orthodoxy" (Coffey *et al.*, 1996: 9; also Weaver and Atkinson, 1994; Crang *et al.*, 1997; Hinchcliffe *et al.*, 1997). In common with the experience of many novice researchers, a sense of a gap was felt in terms of an uncertainty and anxiety about what should be done after data had been collected (Coffey and Atkinson, 1996; preface; Crang *et al.*, 1997). As Crang *et al.* (1997: 781-2) reflect, the attractions of coding, to the novice researcher at least, lie in its promise to fill this gap by producing a feeling of moving systematically through the data, of producing tangible outputs at the end of a day's work. After gradually becoming aware of the possibilities of computer software packages (through everyday social contacts) to aid this process, it was decided to utilise an appropriate package instead of relying on traditional 'tactile' methods (Hinchcliffe *et al.*, 1997). After early experimentation, the Ethnograph programme was deemed unsuitable since its rigid and cumbersome procedures led to considerable frustration. Efforts to begin coding at this relatively early stage when only the first two rounds of data collection had been completed proved unsuccessful as the research

became bogged down in an overly detailed series of codes and memos. Although coding was rapidly overtaken by further 'rounds' of data collection and transcription, this early analysis was useful in the sense of later informing full-scale analysis.

After this experience, it was decided to employ the Hyper-RESEARCH programme to code the data. Like many qualitative analysis packages, Hyper-RESEARCH is based on code-and-retrieval procedures (Seidel and Kelle, 1995; Weaver and Atkinson, 1994; Coffey and Atkinson, 1996: 170-72; Coffey *et al* 1996; Crang *et al.*, 1997; Hinchcliffe *et al.*, 1997). The deductive approach adopted previously was rejected because the reliance on a hierarchical system of codes appeared, on reflection, to be creating deterministic linkages between categories prior to detailed analysis. It was therefore decided to develop a 'flat' coding scheme derived from the data itself rather than underlying theoretical categories. Interview transcripts were organised according to response group¹⁵ (see Appendix 1.2) and read through in detail. Key words referring to segments of text were then listed on a separate sheet on paper for each interview before being aggregated to form a coding scheme for each group of data. Each interview was then coded on screen using this scheme.

Another key decision concerned the levels of generality and specificity which codes represent (Weaver and Atkinson, 1994; Coffey and Atkinson, 1996: 36-7). One of the main problems with early attempts to code was that the categories used were overly detailed. Consequently, the process was impeded by a dense empirical map of codes and memos. With this in mind, the decision was taken to restrict initial coding to a general level, attaching (multiple) codes to fairly large segments of text. One reason for this was to retain the initial context. As a number of reviewers have observed, coding employs a logic of decontextualisation before recontextualisation (Weaver and Atkinson, 1994; Dey, 1995; Coffey and Atkinson, 1996: 28-9; Coffey *et al.*, 1996; Hinchcliffe *et al.*, 1997: 1118-1119). That is, segments of texts are extracted from their original context (the interview) and placed in a new context alongside similarly coded segments. Essentially, this new context "constitutes a juxtaposed set of related excerpts" (Hinchcliffe *et al.*, 1997: 1118). Analysis then proceeds by examining and contrasting the juxtaposed segments. Concern has been expressed that

the assumptions embedded in code-and-retrieve packages like Hyper-RESEARCH privilege this 'meaning-through-comparison' over the 'meaning-in-context' approach traditionally privileged by the ethnographic imagination (Dey, 1995; Hinchcliffe *et al.*, 1997: 1118-1220).¹⁶

In order to minimise these dangers and retain an element of the original context, data was only retrieved by codes attached to lengthy segments. In addition, the original transcripts were kept and referred to during analysis as well as coding. While codes were attached at a fairly general level, the great advantage of Hyper-RESEARCH over Ethnograph is its flexibility, meaning that coding assignments can easily be changed. As Seidel has emphasised, codes are heuristic devices which refer to certain features of the data rather than direct representations of phenomena (Seidel, 1991; Seidel and Kelle, 1995). As such, they are not intrinsic to the data but artefacts of the relationship between researcher and data. Yet the contradiction between the dynamic nature of this relationship and the static function of codes creates tensions, requiring that coding procedures are flexible (Weaver and Atkinson, 1994). The flexibility of Hyper-RESEARCH meant that codes could be modified and firmed up as more interviews were coded. One particularly important aspect of this concerned the need to modify code assignments after procedures for retrieval had been explored.¹⁷

Although codes were attached at the general level, the material retrieved under key codes¹⁸ was then subject to secondary coding. This involved developing sub-codes and attaching these to the data collected under primary codes. This process was informed by the basic principle of juxtaposing related excerpts in order to facilitate 'meaning-through-comparison'. Secondary coding was necessary in order to avoid the dangers of a vague and undetailed analysis created by the decision to carry out primary coding at a general level (Weaver and Atkinson, 1994: 32). The capacity to do this is another advantage that Hyper-RESEARCH enjoys over competing packages. It also claims to go beyond coding and retrieval by offering a hypothesis-testing function. The decision not to use this reflects a suspicion of its underlying epistemological assumptions. The hypothesis-testing facility relies upon the

unsustainable assumption that the co-occurrence of codes within a segment of text can be used to infer a substantive relationship between two phenomena (Coffey and Atkinson, 1996: 180-1). It provides (at best) a useful heuristic tool to aid analysis by exploring and summarising the data rather than some kind of electronic substitute for such analysis.

It is implicit in much of the above that coding itself is not analysis; rather, the key purpose of coding is to facilitate and structure analysis (Weaver and Atkinson, 1994: 30-31). For, as Coffey and Atkinson (1996:26-7) argue, the important analytical work lies in developing and examining linkages and connections within the data rather than the process of coding itself. The benefits of software packages like Hyper-RESEARCH, then, lie not in their capacity to 'do' the analysis but in their ability to retrieve coded material more rapidly and efficiently than traditional manual methods (Crang *et al.*, 1997: 777). Analysis is an inherently interpretative task that relies upon researchers' disciplinary knowledge and their capacity to utilise the theoretical categories driving the research. For this project, the aim was to pull out common themes and relationships from the empirical detail.

While coding procedures divide data largely according to its content, its form was also of interest. There is a long-standing division in interview analysis between those who regard interview texts as neutral representations of underlying phenomena (the externalist position) and those who regard them as artefacts of the social encounter between interviewer and respondent (the internalist position) (Silverman, 1993: 90-114). As Pratt (1995: 69) argues, however, critical realists are interested in both the form and content of qualitative data, in how things are said as well as what is said. This follows from the basic realist position that holds to the notion of an independent 'reality' but contends that it can only be known through specific linguistic and discursive practices. Thus, contrary to the assumptions of many postmodernists, an attention to discourse and rhetoric is not antithetical to critical realism though forms of discourse analysis that deny the existence of any causal mechanisms outside the text may be (Sayer, 1992b; Pratt, 1995: 70).

One problem stemming from the coding procedures adopted was data multiplication. The strategy of attaching multiple codes to large segments of data (so as to retain context) meant that the same segments were collected under several different codes. As a result, 1800 pages of data had been accumulated by the time coding and retrieval was complete. This proved to be less of a problem than it appeared, however, since the deep familiarity with the data accumulated from several 'encounters' and the format which it was now in (relevant segments stored under primary codes) enabled the most important passages to be extracted after rapid comparison. Extensive data reduction took place at this late stage in the research process (all data was retained in original (transcript) form).

Through the adoption of a 'key quotes in context' approach (Pratt, 1995: 71), the 1800 pages were reduced to a series of significant excerpts stored under the analytically significant primary codes. These quotes were then subjected to detailed examination and comparison focusing on their underlying assumptions and rhetorical effects in addition to what they were saying about 'external' phenomena. The selection of quotes was guided by a number of factors: their significance in addressing key research questions and issues; the desire to present a range of perspectives on these issues; whether or not they can be linked to underlying theoretical categories; and how they relate to findings of similar research. The quote that introduces the thesis (p.1), for instance, was selected because it sets up the main research issues (without answering them), offers an insider/critic's perspective on this fundamental issue and is closely related to arguments developed by critical research on TECs (Peck, 1992, 1993, Peck and Jones, 1995; Jones, 1997a). In this sense, research invariably appeals to a wider 'interpretative community' (Baxter and Eyles, 1997: 509). But to avoid the dangers of 'normal science' in the sense of research remaining within existing paradigms, it is important that the empirical material be used to question underlying theoretical assumptions (Lovering, 1996). In this way, the inductive 'moment' of intensive research can be used to advance the research agenda (Sayer, 1992a).

While this involved a movement from data to theory, however, it did not follow the precepts of 'grounded theory'. For, as Yeung (1997: 61-4) shows, the

epistemological assumptions informing grounded theory are antithetical to those of critical realism. What the detailed open coding that grounded theory relies upon tends to produce is not 'theory' but a dense map of empirical categories grounded in the data (Yeung, 1997: 63). It also seems to assume that theory only emerges after data has been collected and coded when these tasks are invariably structured by theoretical and philosophical preconceptions, whether or not the researcher is fully aware of these. In this sense, the analytical procedures of qualitative sociology amount to little more than naive empiricism in a fresh guise. By contrast, critical realist research is informed by prior theorisation aiming to identify important relationships and issues, (Sayer, 1992a; Yeung, 1997: 58-61). On-going conceptualisation should provide the ideas to guide interpretation of the empirical material in particular. Reflections on regulation theory and state theory were in practice intertwined with detailed fieldwork.

At the same time, theoretical categories did not determine the course of the research and premature 'closure' to the diversity of field materials was averted. Indeed, the thesis aims to question these categories, reflecting respondents' comments back on them in an effort to enhance the methodological integrity of the research. It has not, however, used 'respondent validation' (Baxter and Eyles, 1997) in the sense of feeding draft chapters and findings back to HIE and LECs for comment, though it has been informed by comments from a contact within the HIE network on an informal level. Submitting writings for comments was not a condition of access and the critical aims of the research led to a wariness about involving HIE and LECs in the production of the thesis.

1.5 Structure and Contents of the Thesis

This introductory chapter has outlined the research focus and methodology. It has introduced governance as the key research 'object'; set up the research objectives and research questions; outlined the research design; and considered important methodological issues. Chapter two 'steps back' from this immediate research focus to consider how recent theoretical debates inform the thesis. It reviews regulation theory and neo-Gramscian state theory, concluding that despite recent advances both these

approaches remain under-developed in terms of their capacity to inform and structure analyses of local governance. Consequently, work on governmentality is introduced in an effort to develop a new conceptual synthesis. Chapter three focuses on the broader historical context, viewing HIE as the latest in a series of institutional 'solutions' to the Highland 'problem'. It traces the construction of the Highlands as a 'problem' region before considering the policies and practices of the HIDB in more detail.

Chapter four assesses the impact of Thatcherism on the local state in the Highlands. It explains the shift from the HIDB to HIE as a product of the interaction between Thatcherism as political strategy and the pre-existing structure of regional governance (including the Scottish Office as well as the HIDB). The chapter argues that crucial changes occurred in the early-to-mid 1980s as the HIDB adapted to the new political climate, creating the conditions for the later establishment of HIE. The key change which the latter involved was the creation of LECs and the chapter argues that this created major tensions between local empowerment and central control. In focusing on the shaping of power relations within the HIE Network since 1991, chapter five then examines how this tension has been worked out. Whilst it argues that the Network is actually more centralised than was originally envisaged, the chapter draws attention to the capacity of regional and local actors to 'translate' central priorities and points to the important continuities linking the HIDB and HIE.

Chapter six considers the dynamics of 'partnership' and inter-organisational relations in the Highlands, emphasising how these are structured by tensions between HIE-LECs and local authorities which, in turn, reflect the broader patterns of state restructuring. Chapter seven addresses questions of accountability. While chapter five emphasised accountability to central government, chapter seven focuses on local political accountability. It reviews the measures that HIE and LECs have taken to address criticism, arguing that while LECs remain unaccountable to local communities, their accessibility in offering resources and support generates a level of legitimacy that allows effective operation. Chapter eight offers a general conclusion, drawing the main arguments together and relating key findings to policy issues and theoretical debates.

Notes

¹ LEC director, interview 7.7.97.

² This geological metaphor is, of course, associated with Doreen Massey's work on industrial restructuring which argued that places were produced through the combination of successive 'layers' of investment (Massey, 1984).

³ Jessop's labelling of this process as one of de-statisation depends on his state-centred approach. From a different perspective, these changes can be seen in terms of a governmentalisation of diverse organisations and practices as a range of non-state (private and voluntary) actors are drawn into policy regimes (see Rose, 1996a; Rose and Miller, 1992).

⁴ This was argued in a speech by William Waldegrave, then directly responsible for public services as Chancellor of the Duchy of Lancaster, in 1993 (cited in Stewart, 1995: 48).

⁵ In this sense, criticisms of critical realism as a totalising philosophy rest on a basic misunderstanding, reflecting the way in which it has become implicated within postmodernist critiques of scientific discourse. Critical realism makes its claims at an ontological rather than epistemological level (Pratt, 1995; Yeung, 1997).

⁶ This is not to claim that interviews offer a privileged access to 'Truth' but simply to say that they allow respondents to state their 'truth' (see Baxter and Eyles, 1997: 515).

⁷ Sections 6.4 and 7.4 present the only exceptions to this statement as they present some comparative material on inter-organisational relations in the different local (LEC) areas visited.

⁸ These early difficulties seemed to reflect the position of most researchers conducting 'corporate interviews' as supplicants "requesting time and expertise from the powerful, with little to offer in return" (McDowell, 1992: 213; also Thomas, 1995: 7).

⁹ Even if attainable, full 'control' would be undesirable as it would prevent respondents from introducing new topics of interest.

¹⁰ Thomas (1995) suggests that it is important to decide in advance which persona of the person to be interviewed is the focus, arguing that is important to separate the individual from their position and role as official representative in order to get beyond formal corporate scripts and prepared responses.

¹¹ Only three out of forty-three people from public organisations who were interviewed refused to be recorded. Four were interviewed twice (see Appendix 2).

¹² Although two of the interviews with business personnel were recorded, a decision shaped by the circumstances of the interview. In total, just under two-thirds of the interviews were recorded (forty-three out of seventy).

¹³ To ensure confidentiality, quotes are matched with respondents through response groups (HIE, local authorities, etc.) rather than name. Where the note lists multiple sources, the quote is always taken from first one listed. Other sources, always prefixed by 'also', are listed to provide additional support for the particular point that is being made.

¹⁴ Tape recordings and full transcripts of the interviews are available for consultation.

¹⁵ An analytic decision was taken to organise the material for analysis by response

group rather than by 'rounds' of data collection. This was based on a need to ensure commonalities between the transcripts contained within these groups. Since respondents from the same response groups were asked similar questions, it made sense to organise the material on that basis rather than being constrained by the relatively arbitrary order in which the data was collected.

¹⁶ For this reason, a number of recent reviews have identified packages based on hyper-text as the way forward, arguing that their capacity to move through materials (texts, artefacts, visual materials) leaves them closer to the "narrative culture" of traditional ethnography (Weaver and Atkinson, 1994; Hinchcliffe *et al.*, 1997: 121; also Coffey *et al.*, 1996).

¹⁷ For instance, it was anticipated that some segments would be retrieved by combinations of two codes. Attempts to do this demonstrated, however, the unsatisfactory nature of the Boolean searches as the 'and' command invariably selected all instances of each code rather than just the combinations. While the resultant duplication was dealt with in this first group of data to be retrieved by simple cut and paste operations, later interviews were not coded in this way.

¹⁸ Not all the codes developed in the original coding schemes were used to retrieve data. Only those that were of theoretical significance, usually those relating to aspects of institutional practice and strategy rather than background economic processes, were used for retrieval. Since most material was multiply coded, this did not involve significant data reduction.

Chapter 2

Conceptualising Rural Governance: Recent Debates on Regulation, Governmentality and the State

2.1 Introduction

This chapter identifies and outlines the main theoretical perspectives which inform this thesis's analysis of the HIE network. It concentrates on three perspectives: the regulation approach, neo-Gramscian state theory and governmentality theory. The aim is to not only situate the thesis within a wider literature, but also to develop a conceptual framework in order to inform the analysis of local governance in the Scottish Highlands. While a number of recent studies of local and regional governance draw upon a synthesis of the regulation approach and neo-Gramscian state theory (Jessop 1997b, d; Jones 1997a, b, 1998b; MacLeod 1999; MacLeod and Goodwin, 1999), the potential contributions of governmentality theories have received less attention. One of the original contributions of this research is to broaden the synthesis to include certain aspects of governmentality theory, arguing that these provide analytical purchase on the concrete practices and mechanisms deployed by state agencies to regulate local economies. Another key contribution is to apply this integrated approach to the study of *rural* governance.

The selection of these three approaches can only be fully justified through the course of the thesis, as 'theory' and empirical material are worked together. Yet the influence of the recent 'institutional turn' in encouraging a merging and blurring of distinct approaches (MacLeod and Goodwin, 1998: 8), points to the importance of clarity and rigour in showing how particular theoretical perspectives are relevant to particular research problems (*cf.* Jessop 1995b). One key principle guiding selection is the need to situate the rise of local governance within the context of wider political-economic shifts. Various regime and 'growth machine' theories which concentrate on the internal dynamics of coalition-building and political mobilisation in urban arenas to the exclusion of external articulations with broader political and economic

structures are therefore not discussed here. Neither are 'socioeconomic' or 'new regionalist' approaches which, in focusing on the extra-economic conditions for regional development in a global economy (Amin and Thrift 1994a, b, 1995; Storper, 1995, 1997), neglect the impact of state restructuring and uneven territorial development (Raco, 1997; MacLeod and Goodwin, 1998, 1999).

The next section reviews recent work on the structuring of rural space. Subsequent sections review the regulation approach, neo-Gramscian state theory and governmentality theory in turn, considering how they might be operationalised and 'put to work' in research on local state restructuring and economic governance in the Scottish Highlands.

2.2 Revisiting the Rural State

The influence of the 'cultural turn' in re-defining the research agenda in rural geography has seen political economy approaches lose much of their earlier prominence (Cloke *et al.*, 1994; Cloke 1997; Cloke and Little 1997). In the mid-to-late 1990s, cultural analyses of power, meaning and identity arguably represent the 'cutting-edge' of critical research in the sub-discipline. Reflecting an increasing concern with "difference and division in the countryside" (Murdoch and Pratt, 1997: 66), a number of studies have sought to document processes of marginalisation or 'othering' (see Philo, 1992; Cloke and Little, 1997; Cloke, 1997). This section contends that there is, however, a need to re-visit work on political restructuring and the 'rural state' inspired by political economy in the late 1980s and early 1990s (Cloke, 1989; Day *et al.*, 1989; Cloke and Little, 1990; Cloke and Goodwin, 1992). It argues that re-focusing on these questions in the light of the 'cultural turn' and recent re-workings of regulation and state theories can generate insights into the politics of rural governance.

One central theme of recent critical rural geographies is the notion of rurality as socially constructed (Mormont, 1990; Halfacree 1993; Cloke *et al.*, 1994; Shucksmith 1994; Bryden 1994; Woods, 1997a). In contrast to traditional descriptive

and functional approaches, rurality is seen as a symbolic resource mobilised by social groups and actors in struggles over power and identity. Rather than naturalising the rural as the site of orderly and harmonious social relations, recent research has stressed how different groups construct rurality in different ways as they struggle to contest and transform existing power relations. This concern with social divisions within rural localities echoes Massey's (1991) view of place as constructed from the convergence of contradictory social relations. Although clearly informed by the post-structuralist desire to deconstruct established meanings (Cloke *et al.*, 1994) as well as postmodernism's privileging of the symbolic over the material (Halfacree, 1993), the emphasis on social construction also stems from empirical research documenting the transformation of 'traditional' rural communities by affluent incomers in search of a 'rural idyll' (Forsyth 1980; Cloke and Thrift, 1987; Cloke and Milbourne, 1992; Cloke *et al.*, 1995, 1997; Thrift 1987; Mormont 1990; Phillips, 1993; Murdoch and Marsden, 1994; Jedrej and Nuttall, 1996).

One focus of interest inspired by political economy approaches in the late 1980s and early 1990s was the state (Day *et al.*, 1989; Cloke and Little, 1990; Cloke and Goodwin, 1992). For instance, Day *et al.*'s account of the role of the state in managing economic and social restructuring in rural Wales drew heavily upon Massey's (1984) concept of 'rounds of investment'; Cloke and Little's (1990) analysis of the rural state is informed by the Marxist distinction between the form, function and apparatuses of the state; and Cloke and Goodwin's (1992) more general examination of political and economic restructuring draws on a blend of regulation theory and Harvey's (1985) work on 'structured coherence'. Cloke and Little's (1990) study represents the most systematic examination of the role of the state in structuring economic and social relations in rural areas (Goodwin, 1998a). While drawing upon Marxist theory at an abstract level, their account is also structured by Duncan and Goodwin's (1988) conception of the local state as both agent of and obstacle to the centre. Although much of the activity of the local state is orientated towards adapting service delivery to local needs, its wider representative role means that it can be 'captured' by local groups whose interests may clash with those of the centre (Duncan and Goodwin, 1988). Cloke and Little (1990: 76-87) rejected the idea of a distinct

rural local state but noted the broad similarities in political forms in rural areas in terms of an underlying conservatism, relatively harmonious relations with the centre and paternalistic power structures. They focused on the planning process in particular, stressing how this tended to be colonised by dominant interests, and concluding that constraints on participation appeared to increase as policy was transmitted from the centre to the locality (Cloke and Little, 1990: 252-54).

Although limited by its reliance on a conceptual framework rooted in 1970s Marxist state theory, Cloke and Little's account contains valuable insights. Its sensitivity to the tendency for patterns of representation to reflect unequal social relations anticipates recent re-workings of state theory (Jessop, 1990b, 1997b; Jones 1997a; MacLeod 1997b; MacLeod and Goodwin, 1998, 1999). Patterns of representation were changing as incoming middle-class fractions sought to colonise institutions previously dominated by agricultural interests (Cloke and Goodwin, 1992; Murdoch and Marsden, 1994). In this way, processes of economic restructuring and social recomposition were leading to the formation of new hegemonic blocs in the countryside. One key result of these changes, stemming from the weakening of national frameworks of agricultural regulation in particular, is that of 'local differentiation' as rural places are increasingly forced to manage their own development trajectories (Marsden *et al.*, 1993).

In an effort to capture this emerging diversity, Marsden *et al.*, (1993: 187-90) introduce four 'ideal type' categories. First, the 'preserved countryside' refers to high-status areas where incoming middle-class fractions have been successful in protecting their amenities. Second, the 'contested countryside' defines areas where middle-class incomers are challenging the priorities of productionist interests. In the 'paternalistic' countryside, these agricultural elites retain hegemony whereas the 'clientelistic' countryside refers to remote areas where development remains a key priority, reflecting the influence of productionist and welfarist ideologies in exerting pressure for state intervention to protect local communities (Marsden *et al.*, 1993: 187-90).

One key way in which earlier work on the rural state and changing forms of

representation can be linked to current research agendas is through a focus on rural governance (see *Journal of Rural Studies*, 1998, 14.1). Institutional arrangements for governing rural space are becoming increasingly complex as the growth of unelected 'quangos' and multi-agency partnerships raises questions about the role of elected local authorities (Marsden and Murdoch, 1998; Goodwin, 1998a; Woods, 1998). In addition, the EU is becoming increasingly active in funding and managing development programmes (Ward and McNicholas, 1998). The emerging interest in governance reflects a concern with co-ordinating relations between key institutional actors (Jessop, 1995a, 1997b, 1998a; Rhodes, 1996; Stoker 1998; Goodwin 1998a). Goodwin (1998a) sets out a preliminary research agenda, arguing that studies should focus on questions of power, looking at how the shift to governance is mediated locally by specifically rural (agrarian and landed) forms of power and influence and asking what underlying interests and agendas are privileged by dominant forms of representation. There is also a series of questions related to how emerging forms of governance are articulated with underlying patterns of uneven development in an 'differentiating countryside' (Marsden *et al.*, 1993; Goodwin, 1998a).

This section has reviewed some key themes of recent rural research, arguing that there is a need to revisit some of the ground covered by political economy approaches in the late 1980s and early 1990s in order to re-assess key questions in the light of current theoretical concerns. In particular, linking research on the rural state to work on contested constructions of rurality raises important issues about how state institutions represent different groups. These can be linked to questions about the role of state agencies in regulating and governing rural space, in particular whether institutional practices tend to privilege some interests over others (Jessop, 1997b).

2.3 The Regulation Approach

Rather than forming a single coherent theory, the regulation approach (RA) is best characterised as an on-going research programme rooted in Marxist political economy (Jessop, 1990a; Tickell and Peck, 1992). The original Parisian regulationists focused on the problem of macro-economic stabilisation, exemplified by Aglietta's

pioneering study of the post-war American economy (Aglietta, 1979). In the mid-to-late 1980s, regulation theory became highly influential in economic geography as researchers sought to explain the growth of 'flexible' forms of production (Gertler, 1988, 1992; Harvey 1989; Harvey and Scott, 1989; Scott 1988; Schoenberger, 1988). Yet whilst these accounts of a shift from Fordism to post-Fordism deployed the language and concepts of the RA, their neglect of key methodological principles led to a reliance upon dualistic impositions and 'ideal types' (see below) (Hay, 1995). At the same time, the substantive claims of this 'derivationist' literature (Hay, 1995: 387) have been undermined by recurring economic difficulties, encouraging the adoption of a more reflexive approach in the mid-to-late 1990s (MacLeod, 1999: 3-4).

Researchers have sought to re-state underlying methodological principles in order to prise regulationism away from the Fordism/ post-Fordism debate, re-casting it as a framework for analysing institutional relationships across a range of spatial scales (Boyer, 1990; Painter and Goodwin, 1995; Peck and Tickell 1995a; Hay 1995; Jones, 1997a; MacLeod, 1997b). Associated with this re-working is a greater concern with the role of the state and the geography of regulation, allied to an awareness of its provisional and contested nature (Hay and Jessop, 1995: 305).¹ This shift of focus from issues of macro-economic stabilisation to local spaces of regulation raises important questions about the utility and scope of the RA. For Jones (1997b: 832), it highlights the regulationist enigma: the difficulty of using regulationist concepts developed to explain national change to theorise local transformations. According to Jessop (1995b; 1997b), the RA is best interpreted as offering 'plausible contextualisation' of local change rather than direct explanation. Consequently, I argue that integration with other approaches is required and present neo-Gramscian state theory and governmentality theory as the sources of integration in the context of this research project. The regulationist enigma can only be overcome by movement beyond the confines of the RA.

Regulation theory emerged as a distinctive branch of Marxist political economy in the mid-to-late 1970s in response to the perceived inability of existing economic paradigms to explain the uneven historical and geographical development

of capitalism. The original regulationists sought to define a middle-ground between the neo-classical mainstream, with its formalistic conception of general equilibrium and its concomitant neglect of social relations, and the structural rigidities of French Marxism (Aglietta, 1979; Jones, 1997a; MacLeod 1997b). In particular, they sought to develop a conception of *integral* economics that views economic objects as embedded within broader social, cultural and institutional formations (Jessop, 1995a; 1997b). Informed by Marx's analysis of the accumulation process, regulation theorists focused on the question of how, given its inherent tendencies towards crisis, capitalism continues to survive (Boyer, 1990: 34). They sought to develop a greater sensitivity to contingency and variation over both time and space.

Two intermediate concepts assume a key role in regulationist accounts of capitalist development: the *regime of accumulation* (RoA) and the *mode of regulation* (MoR) (Lipietz, 1986, 1992; Boyer 1990; Tickell and Peck 1992; Jones 1997a; MacLeod 1997b). A regime of accumulation refers to a "macroeconomically coherent phase of capitalist development" (Tickell and Peck, 1992: 192). It is formed from the 'structural coupling' between modes of regulation and accumulation systems.² The latter refers to a relationship between production and consumption which ensures that investments advanced by individual capitalists are met with sufficient demand in the market-place (Tickell and Peck, 1992). Crucially, however, this relationship is dependent upon the institutionalisation of a range of social norms, habits and practices (Lipietz, 1986: 19). Regulationists argue that these tend to become consolidated into a mode of regulation which, through its links with a corresponding accumulation system, structures a regime of accumulation within which capitalism is reproduced. (Aglietta, 1979; Lipietz, 1986; Jessop 1990b; 1992a). This 'institutional fix' is unable to fully contain the contradictions of capitalism in the longer-term, however, leading to periods of structural crisis as the regulatory possibilities of particular regimes are finally exhausted (Boyer, 1990; Peck and Tickell, 1995a: 21-24).

The key notion is that the expanded reproduction of capitalism is never guaranteed, but depends upon a range of social norms and institutional practices (Boyer, 1990; Goodwin *et al.*, 1995). In contrast to the neo-classical emphasis on

market exchange and the Marxist focus on the value form of capital, regulationists draw attention to the role of extra-economic mechanisms in co-ordinating and stabilising economic processes. As Jessop (1995a: 316) puts it, whilst both neo-classical and Marxist analyses concentrate on the *economic* mode of economic regulation, regulation theory has, since Aglietta (1979), been primarily concerned with the *social* mode of economic regulation.³ Although often interpreted as referring to processes of administrative rule-making, the concept of regulation more properly refers to processes of *regularisation* or normalisation through which individual subjects are constituted by institutional practices (Jessop, 1995a: 309; 1997a).⁴ It is through such extra-economic mechanisms that individual agents internalise regulatory principles and norms (Boyer, 1990). Thus, the RA rejects the orthodox conception of pre-constituted economic actors driven by rational choice considerations, insisting that the *subjects* of regulation are constituted through the regulatory process itself. It relies upon notions of regularisation to explain how macro-economic coherences can emerge from a multiplicity of decentralised decisions.

Arguably, many of these principles were lost as regulationist concepts filtered into geographical research during the 1980s. Characteristically, regulation theory was used as conceptual anchor for claims that a new regime of 'flexible accumulation' was emerging to replace post-war Fordism (Gertler, 1988, 1992; Harvey 1989a; Harvey and Scott, 1989; Scott, 1988; Schoenberger, 1988). Such accounts tended to be grounded in analyses of production, often focusing on changes in the labour process and technological systems and drawing upon the experience of 'archetypal' regions like the 'Third Italy' and Silicon Valley. In claiming that these changes represented key principles of a new economic order, post-Fordist writers were guilty of serious over-generalisation (Gertler 1988; 1991; Sayer, 1989; Amin and Robins, 1990). In regulationist terms, the tendency to privilege accumulation over regulation lost sight of the importance of 'structural coupling' between the two processes. Accounts of flexible production were therefore unable to satisfy criteria for identifying coherent regimes of accumulation (Tickell and Peck, 1992; Peck and Tickell 1994a, 1995a).

The association between regulation theory and studies of post-Fordism has led

many to reject regulationist analysis (Hirst and Zeitlin, 1991; Murdoch, 1995). In particular, the charge of functionalism has been levelled by critics who cite accounts of post-Fordism as evidence of a tendency for the norms and practices of regulation to be determined by the requirements of the accumulation system (Hirst and Zeitlin, 1991; Bonefeld and Holloway, 1991; Hay, 1995; Murdoch, 1995). Against this, however, regulationists have insisted that relationships between particular accumulation systems and modes of regulation are *contingent*, arguing that co-stabilisation occurs through 'chance discoveries' within a context of continuing social struggle (Lipietz, 1986; Boyer, 1990). From this perspective, recent neo-liberal strategies are viewed as part of a process of regulatory experimentation as dominant social forces search for a new 'institutional fix' (Jones, 1997a). Rather than representing the solution to underlying economic difficulties, the ascendancy of neo-liberal strategies is seen as part of the problem, reflecting a failure to develop sustainable regulatory structures (Peck and Tickell, 1992, 1994a, 1995a; Jones, 1997a). Despite this important clarification, however, the RA's neglect of politics and the state leaves it vulnerable to related charges of functionalism and economic determinism (Jenson, 1990; Hay, 1995). The problems of deploying regulationist concepts in studies of local transformation highlight these issues.

Regulationist concepts have been utilised to relate recent changes in the local government system to the apparent shift towards post-Fordism (Stoker, 1989; Stoker and Mossberger, 1995). However, this approach's lack of mid-level concepts to mediate between micro and macro-levels and its inadequate treatment of local politics means that it tends to 'read off' local change from macro-structural shifts, thus exemplifying the regulationist enigma (see Jones, 1997b: 838-41). Stoker sees the transformation of the local state as a part of the Thatcherite response to the demands of economic change. His construction of a typology of local government 'responses' to restructuring, ranging from "early adherents", through "pragmatic compliers" and "critical compliers" to "late adopters" (Stoker and Mossberger, 1995: 221), demonstrates a conception of change as uni-directional and determining, leaving little scope for local actors to resist and translate central strategies (Jones, 1997b). What is clearly missing is an appreciation of the *politics* of local change. There is little

consideration of how the transformation of the local state has been the subject of struggle and contestation, and of how the dialectic between such struggles and central policies produces uneven development, giving different outcomes in different places (Painter and Goodwin, 1995; Jones, 1997b: 838-839).

Another influential approach to the spatialisation of regulation theory has been developed by a group of Manchester geographers (Peck and Tickell 1992, 1995a; Jones 1997b). Drawing upon research on industrial restructuring and uneven development (Massey, 1984; Harvey, 1985; Allen and Massey, 1988), Peck and Tickell develop the concept of local modes of social regulation. These are distinguished by their "unique position within wider (national and international) structures of accumulation and regulation" (Peck and Tickell, 1995a: 27). Peck and Tickell argue that the 'regulatory deficit' of south-east England, reflecting the contradictions of uneven development under Thatcherism, was a key factor behind the region's eventual collapse in the recession of the early 1990s (Peck and Tickell 1995a). This regulatory failure is seen as symptomatic of the inability of neo-liberal strategies to achieve sustainable long-term regulation such that a coherent 'regime of accumulation' stabilises. While this approach represents an ambitious effort to extend the scope of the RA, the focus on the effect of central strategies *upon* the region leads to a neglect of the role of local institutions and actors in translating and delivering these strategies (MacLeod, 1997b: 541). Again, there is little consideration of the complex and contradictory *politics* of local transformation. Other recent contributions suggest, however, a way out of these difficulties.

As part of an effort to re-work the RA as method, Painter and Goodwin (1995) trace accusations of functionalism to the concept of mode of regulation, noting that:

The term 'mode' is often understood as implying a completed system rather than one in the process of formation ... the notion of modes of regulation overemphasises the functionality, stability and coherence of regulatory relations and underemphasises change, conflict and development during their period of operation (Painter and Goodwin, 1995: 340).

As Goodwin and co-researchers noted earlier, the overwhelming concern with the co-stabilisation of modes of regulation and accumulation systems at the national level is associated with the (implicit) assumption that regulatory practices are

unproblematically translated into local action (Goodwin *et al.*, 1993: 69). The complexity of current structures of local governance has already been emphasised (Chapter One: 5-14), and any assumption that the activities of the cluster of local, regional, national and supranational institutions somehow cohere into stable local modes of regulation is problematic. Painter and Goodwin (1995) prefer to stress regulation as *process*, as a set of material and discursive practices that 'ebb and flow' through time and space. Such a concern with practice, they argue, brings geography centre-stage. Since regulation consists of the "contingent interaction" of a range of practices grounded in particular local contexts, it is geographically constituted (Painter and Goodwin, 1995: 342). While local state agencies may well act as channels through which national regulatory priorities are "interpreted and ultimately delivered" (Goodwin *et al.*, 1993: 69; Goodwin and Painter, 1996: 645), the notion of regulation as process constituted through practice directs attention towards the role of institutional cultures, conventions and discourses in structuring and mediating such interpretation. Given that local practices, struggles and conflicts are inherently discursive, the incorporation of the key notion of discourse, hitherto neglected by regulationists, becomes essential (Painter and Goodwin, 1995: 346).

One of the key merits of the RA is that it enables changes in the economy to be linked to changing social, cultural and political relations (Goodwin *et al.*, 1995: 1249). Given that, in conventional approaches, the mode of regulation provides the crucial link between the economic and the extra-economic, Painter and Goodwin's rejection of this concept requires that the relationship be reconceptualised. Again, this involves re-stating some of the original principles of the RA in order to avoid the reductionist tendencies of post-Fordist approaches. As Painter and Goodwin (1995: 338) argue, the regulation approach reverses the 'causal arrow' of classical Marxism. Rather than relying upon a mode of explanation in which the economic base is seen as driving the development of the political 'superstructure', it focuses on how economic relations are conditioned by a range of social, political and cultural forces. Thus, the economy is identified as the object of regulation in the sense that regulatory institutions evolve particular mechanisms for *intervening* in the economic sphere in order to support the process of economic development. One implication of this

arrangement of *explanandum* and *explanans* is that since the local state functions largely as a key institutional site for the regulation of the economy, changes in its organisation fall outwith the explanatory scope of the RA (Painter and Goodwin, 1995: 338, 347). This reinforces the claim that the latter's aims are actually rather modest (Goodwin and Painter, 1996: 640), pointing to the need to draw upon other perspectives able to explain local state restructuring more adequately.

The generally anti-functionalist stance adopted by this emerging 'new' regulationism involves the view that the process of regulation is constitutive of the (economic) objects of regulation (Jessop, 1997b; 60). As part of a broader research agenda concerned with the discursive construction of economic space (Daly, 1991; Leyshon and Tickell 1994), this principle directs empirical attention towards the construction of local economies as objects of regulation by local institutions and agencies. Again, this has been neglected by regulationist analyses. Jones (1997b: 843-4) notes that despite the growing interest in regulation at the local level, researchers tend to take the 'local' for granted as an object of analysis, failing to demonstrate why local economies seem to have become more important as targets for intervention. Explaining the rise of this strategic localism as part of a broader 'relativisation of scale' (Chapter one: 6-7) requires a greater sensitivity to the political and strategic calculations of state institutions struggling to respond to the challenges of economic development *after* Fordism. Jessop has recently begun to examine these issues, arguing that institutional intervention depends upon the complex web of intra-local and extra-local networks and relations being transformed into "a real space amenable to regulation" (Jessop, 1997b: 61). Economic strategies and economic discourses are closely related, since it is only through the latter that problems can be identified and policies pursued (Jessop, 1997d). Consequently, particular development strategies depend upon particular constructions of local economies. Within this 'real' economic space, intervention is strategically selective: particular objects (firms, sectors, places) are targeted as development priorities.

This section has reviewed the principles and trajectory of the RA, arguing that recent efforts to re-work regulationism as method provide a way out of the problems

of regulationist analysis. These offer a set of guiding principles for concrete research on local governance rather than direct forms of causal explanation. They include the emphasis on regulation as a contested process rather than a completed structure; the importance of distinguishing between the objects and agents of regulation; and the related view that such objects are constituted through the process of regulation. However, the increased awareness of the limits of the RA that recent contributions have brought (Jessop, 1995b; Painter and Goodwin, 1995; Jones, 1997a) leads to the view the regulationist enigma can only be overcome by developing links with other approaches. One of the most serious problems of the RA - its neglect of politics and the state (Jessop, 1990a; Jenson, 1990; Hay, 1995) - is encouraging growing interest in recent developments in state theory.

2.4 Neo-Gramscian State Theory

Jones (1997b) argues that state theory offers one way out of the 'regulationist enigma'. In particular, he claims that, as the leading edge of 'neo-Gramscian state theory', Jessop's 'strategic-relational' approach (Jessop, 1990b) offers a way forward because of its conceptualisation of the role of the state within its political and strategic context. Although the abstract and conceptually dense nature of Jessop's writings has tended to limit their influence, there now seems to be a growing interest in his work among local and regional analysts (Goodwin, 1992; 1998b; Goodwin and Pemberton, 1997; Jones 1997a, 1997b; MacLeod 1997b; 1999; MacLeod and Goodwin, 1998, 1999; Collinge and Hall, 1997). To the extent that Jessop's sophisticated treatment of politics and the state enables some of the crucial 'missing links' in regulationist research (Tickell and Peck, 1992) to be 'filled in', this can be seen as a positive development. Yet this thesis argues that there is a need for detailed consideration of the precise ways in which Jessop's "novel concepts" (Collinge and Hall, 1997) might be operationalised in local governance research. In particular, it questions whether the key notions of 'state project', 'accumulation strategy', and 'hegemonic project', developed to explain aspects of national state development, can be easily transferred to the local level. It is argued instead that the concepts of 'strategic selectivity' and 'representational regime' offer important insights into the structuration of local

governance, suggesting that the structures and practices of state agencies tend to privilege the interests of some groups over others.

Jessop's work should be seen as an attempt to go beyond the debates surrounding Marxist state theory in the 1970s. It poses the same basic questions of the relationship between the state and the balance of social forces, rejecting the claims of the 'state-centred' theories prominent in the 1980s and 1990s because of their reliance on a "superficial" and "misleading" distinction between state and society (Jessop, 1990b: 2). Jessop draws upon the insights of leading Marxist writers like Offe and Poulantzas, who sought, in different ways, to improve upon crude instrumentalist and functionalist approaches (Offe, 1974: 31-36; Poulantzas, 1978: 12-19; Jessop, 1990b: 25-41, 249-54). Against prevailing tendencies to reduce state power to the external determinants of capital and class, Poulantzas's key contribution was to insist that social struggles were inscribed in the "institutional materiality" of the state (Poulantzas, 1978; *cf.* Jessop, 1985: 114-48). He argued that the state was a social relation rather than a 'thing', deriving its specificity from the dialectical interplay between state structures and the struggles of social forces (Poulantzas, 1978: 123-60; Jessop, 1982: 153-80; 1985: 115-48; 1990b: 256-7).⁵ Poulantzas placed considerable emphasis on the internal fragmentation of the state, insisting upon the relative indeterminacy and contingency of the struggles contained within it as state managers sought to contain popular pressures by shifting power between apparatuses (Poulantzas, 1978: 127-45; Jessop, 1985: 124-42). Ultimately, however, he was unable to reconcile this with his continuing emphasis on class domination, failing to demonstrate how a 'general line' favouring capitalist forces emerged from the clash of diverse social forces within the state (Jessop, 1982: 185-88; 1985: 134-38; 1990b: 256).

Jessop aims to overcome these difficulties by emphasising 'strategy' whilst simultaneously rejecting notions of capital logic and class unity (Jessop, 1985: 341-45; 1990b: 52-54). He argues that the formation (making) of collective groups such as classes depends upon an active process of organisation and direction. Such groups only become aware of their identity and interests during the course of struggles that

involve direct engagement with the state. Jessop draws on Poulantzas's notion of the state as a social relation, arguing that it can be analysed as the "site, the generator and the product of strategies" (Jessop, 1990b: 260). As a site of political strategy, Jessop defines the state as a system of '*strategic selectivity*', claiming that:

The bias inscribed on the terrain of the state as a site of strategic action can only be understood as a bias relative to specific strategies pursued by specific forces to advance specific interests over a given time horizon in terms of a specific set of other forces each advancing their own interests through specific strategies. Particular forms of state privilege some strategies over others, privilege the access of some forces over others, some interests over others, some time horizons over others, some coalition possibilities over others. A given type of state, a given state form, a given form of regime will be more accessible to some forces than others according to the strategies they adopt to gain state power. " (Jessop, 1990b: 10)

This summarises the core arguments of the strategic-relational approach, demonstrating the continuities with Offe's and Poulantzas's insistence that the state is not a neutral instrument open to all social forces (Offe, 1974; Poulantzas, 1978). Where Jessop departs from these analyses, however, is in his argument that state selectivity is strategic rather than structural (Jessop, 1990b: 260-72). The notion of structural selectivity is closely associated with the writings of Claus Offe who argued that the internal workings of 'sorting processes' resulted in the state favouring capitalist interests and marginalising oppositional groups (Offe, 1974: 36). For Jessop (1990b: 260), emphasising strategic selectivity brings out the "relational character" of the state more clearly since access is determined by the interaction between the form of the state and the specific strategies adopted by social forces as they compete for state power.

The role of the state as generator of strategy takes on a particular importance given Jessop's basic conception of the state as a loosely articulated 'institutional ensemble'. Criticising approaches which assume that the state has an essential unity and coherence, Jessop takes Poulantzas's emphasis on its internal fragmentation in the face of underlying contradictions to its logical conclusion in stating that the state has no substantive operational unity (Jessop, 1990b: 9, 261). Crucially, the state has to be actively unified through 'state projects' directed by state managers (officials and politicians) representing those groups that have gained state power. Particular state projects and strategies aim to benefit the social basis of the state, consisting of those groups and actors that support the "basic structure of the state system, its mode of

operation and its objectives" (Jessop, 1990b: 161; Jessop *et al.*, 1988: 167). This social base is linked to the internal structures of the state through specific forms of *representation* (Jones, 1997a). Those groups that support state policies will tend to be mobilised and placed in key positions within state institutions and a range of material concessions and symbolic rewards directed towards them. Offe's notion of 'institutional filters' is useful in illuminating how the rules and norms inscribed in systems of representation incorporate some groups whilst excluding others (Offe, 1974). As new coalitions and alliances gain state power, the internal structures of the state are restructured, and new institutional forms, associated with particular representational regimes, are created in order to deliver policy (Jones, 1997a). Chapter four demonstrates that this approach provides insights into processes of state restructuring in Britain during the 1980s and 1990s as Thatcherite forces dismantled the post-war institutional fix, creating new apparatuses and agencies to deliver policy.

The notion of the state as a product of strategy focuses attention on the ways in which state power is conditioned and constrained by inherited forms. These inherited forms are themselves the product of past political strategies and struggles (Jessop, 1990b: 261). In this sense, current forms of strategic selectivity are constituted out of the interaction between past patterns of strategic selectivity and the strategies adopted for their transformation (Jessop, 1990b: 261). This relationship is best illustrated by newly-elected governments' efforts at state-building. The Thatcher government was initially forced to work within existing structures until it had consolidated its position, continuing to channel its interventions through inherited institutional forms like the Manpower Services Commission (MSC) (Gamble, 1988; Jessop *et al.*, 1988; Evans, 1992; King, 1993). The current efforts of the New Labour government to re-structure the fabric of political and economic governance at the regional level in particular are being directed through institutions and actors (for instance, business leaders) privileged by its predecessor (MacLeod and Goodwin, 1998: 15-6).

One implication of Jessop's relational view of the state is that the effects of state projects and strategies are not contained within the institutional boundaries of the state itself. Dominant social forces seek to project their strategies into the fabric of

civil society and the economy. In terms of the latter, the state forms a key site for the formation of accumulation strategies, which define a "specific economic 'growth model' with its various extra-economic preconditions and also outline a general strategy appropriate to its realisation" (Jessop, 1990b: 198). Accumulation strategies provide the connection between abstract models of the accumulation process and the concrete realities of economic relations in particular places. While constructed to mobilise a broad coalition of social forces, they often tend to privilege the material interest of key groups (Jessop, 1990b: 198-205). Although originally developed to account for national development trajectories, the concept of accumulation strategies has recently been deployed by those seeking to develop the RA at local level. In particular, this concept is useful in informing analyses of local state agencies' efforts to enhance the competitiveness of local economies (Jessop, 1997b, 1997d; Collinge and Hall, 1997). As part of a broader interest in the discursive constitution of local economies as 'objects' of regulation (see p.41-42), the extent to which particular accumulation strategies rely upon particular constructions of the local economy which are invariably selective, highlighting certain sectors or firms as appropriate targets for intervention, is another key aspect receiving attention (Jessop, 1997b, 1997d; Goodwin and Pemberton, 1997; MacLeod, 1999) .

State power is extended into the cultural and ideological domains through 'hegemonic projects' (Jessop, 1990b: 207-218). In developing this concept, Jessop draws heavily upon both Gramsci and Poulantza. The latter, in particular, laid particular emphasis on the capacity of the state to contain class contradictions inscribed in its form by projecting itself as the expression of the "national-popular will" (Poulantzas, 1978: 93-120). Jessop extends this idea to argue that the dominant classes construct 'hegemonic projects' in an effort to mobilise support behind a programme of action which reinforces their accumulation strategy (Jessop, 1990b: 207-215). A key feature is that conflicts between *particular* interests can be resolved through efforts to *construct* a general interest:

It is the task of hegemonic leadership to resolve this problem through specific political, intellectual and moral practices. This involves the mobilisation of support behind a concrete national-popular programme of action which asserts a general interest in the pursuit of objectives that implicitly or explicitly advance the long-term interests of the hegemonic class (fraction) and which also privileges particular 'economic-corporate' interests compatible with

this programme (Jessop, 1990: 208).

This programme is always contested: it is important to re-state the partial and unstable nature of hegemony. Alliances are continually constructed, fractured and re-assembled as new conditions emerge, undermining the basis of previous arrangements (Fairclough, 1992). Successful mobilisation of a coalition will normally involve the sacrifice of short-term interests of the hegemonic class and a flow of material concessions to other social groups mobilised behind the project. Unless hegemonic projects and accumulation strategies are seen to address the priorities of subordinate groups, they are unlikely to secure the necessary degree of legitimacy upon which power depends. Again these ideas are being used to inform research on local governance. One crucial empirical question concerns whether the apparent 'hollowing out' of the nation-state involves a re-location of hegemonic functions to the local and regional levels (Jessop, 1997b: 62; MacLeod and Goodwin, 1998: 15). Whilst the attractions of using notions of hegemony to analyse the politics of urban-regional leadership in areas with strong forms of business representation are apparent (Holden, 1998), it is important to avoid loosely deploying them in a way which obscures rather than illuminates the precise mechanisms and practices through which particular spaces are regulated.

To the extent that Jessop's 'strategic-relational' approach emphasises the contingent and context-dependent nature of political and economic relations it offers a sophisticated, "state of the art" Marxist theory of the state (Taylor, 1995: 251) which overcomes economistic and functionalist tendencies. In focusing attention on the political strategies and regulatory practices constituting particular modes of local governance (MacLeod and Goodwin, 1999: 12) it seems to provide a way out of the 'regulationist enigma' (Jones, 1997b). Arguably, however, the 'strategic-relational' approach has been insufficiently operationalised in the context of research on local governance. While it has been claimed that the mid-level abstractions employed by Jessop are not scale-specific and can, therefore, be applied in local research (MacLeod and Goodwin, 1998: 16, 1999: 14), evidence that nation states remain crucial sites for the articulation of political strategies raises questions about their transferability (Peck and Tickell, 1994a, 1995a; Jessop 1997c).

These issues are underlined by Jessop's neglect of his own theoretical insights in recent empirical work on the re-organisation of the national-state (Jessop, 1994). Indeed, the notion of a transition from a Keynesian Welfare State to a 'Schumpeterian Workfare State' (Jessop 1994; Peck and Jones, 1995), reproduces the problems of post-Fordist approaches by offering an under-politicised account which falls back on an underlying economism (MacLeod, 1997b: 545). Jones (1997a) attempts to spatialise the 'strategic-relational' approach through the concept of the 'spatial selectivity of the state'. He argues that there is an inherent tendency for the state to privilege certain places through its accumulation strategies, hegemonic projects, and state projects. This argument fails to fully consider the complexities of local transformation, however, under-stating the capacity of local institutions and actors to adapt and translate central priorities.

A number of recent reviews have presented 'neo-Gramscian' state theory as a way forward for research on local governance (Jones, 1997a, b; MacLeod and Goodwin, 1998, 1999). Crucially, the neo-Gramscian emphasis on political and strategic context provides a non-reductionist way of linking local institutions to broader political-economic processes. Through the notion of strategic selectivity and the associated focus on the representational regime of the local state, it highlights how particular institutional structures tend to privilege the interests of some groups over others. Yet crucial issues relating to scale and strategy remain unresolved. While the apparent 'hollowing-out' of the nation-state after Fordism appears to have brought about a relativisation of scale, it is clear that national institutions retain a central role in monitoring and co-ordinating local regimes (Jessop, 1997c). This raises questions about the effectiveness of concepts like accumulation strategies and hegemonic projects in specifying the precise mechanisms and practices deployed in the regulation and governance of local and regional spaces. And the focus on the formulation and articulation of strategy at the national level raises the question of whether local actors can challenge and translate central priorities within the institutional networks that link local sites to the centre.

2.5 Governmentality Theory

This section argues that neo-Foucauldian theories of governmentality offer important insights for research on local governance. Although research is showing an increasing interest in local micro-sites, both the RA and strategic-relational approaches have been primarily concerned with macro-actors such as the state, institutions and social classes. Consequently, there is a need to develop conceptual linkages with approaches that have taken local sites as their primary object of analysis. This section argues that notions of governmentality help to provide firmer analytical purchase on the mechanisms and practices deployed to regulate and govern local economic space. Given local state agencies' dual role as both agents of and obstacles to the centre (Duncan and Goodwin, 1988) - as both regulators and regulated - these mechanisms and practices are both deployed *by* them in their interaction with the objects of government and *upon* them by central government as it strives to ensure that local institutional practice remains within the parameters of underlying policy preferences and administrative norms. In addition, governmentality theorists' characteristic emphasis on the role of expertise in constituting and structuring governmental networks (Barry *et al.*, 1996; Rose, 1996a, b; Rose and Miller, 1992) draws attention to the role of 'expert' knowledge in local economic regulation (Painter, 1997b).

In this sense, governmentality theory supports a focus on the *how* of government, an issue neglected by the strategic-relational approach with its dependence on less precise notions of hegemony. Its focus on routine aspects of institutional practice can perhaps be used to extend Jessop's relational approach to the state by emphasising how the state projects, accumulation strategies and hegemonic projects formulated by leading social forces are mediated and channelled through particular forms, practices and techniques inscribed in the structure of the state. And recent research on local-central networks - informed by actor-network theory (Latour, 1986; Callon, 1986; Murdoch and Marsden, 1994, 1995; Murdoch, 1995; Murdoch and Abram, 1998; Woods, 1998) - is useful in countering any tendency to reify strategy by highlighting the capacity of local actors to translate and adapt central priorities to their own purposes.⁶

It must be recognised, however, that these claims bring dangers of an unprincipled eclecticism, raising crucial questions about the compatibility of the perspectives reviewed in this chapter. In particular, there would appear to be a philosophical clash between the critical realist foundations of the RA and neo-Gramscian state theory and the post-structuralist orientation of writings on governmentality inspired by Foucault. These issues are addressed in the remainder of this chapter which argues that many of the key emphases of governmentality theorists are not incompatible with a realist ontology (Sayer, 1992a, b; Pratt, 1995; Yeung, 1997).

The origins of current debates on governmentality are found in Foucault's reflections on the nature of modern government in the late 1970s (Foucault, 1991; Barry *et al*, 1996; Burchell, 1996; Rose 1996a; Rose and Miller, 1992).⁷ Foucault interpreted the term as referring to the 'conduct of conduct' - the techniques and practices evolved for governing the conduct of others (Burchell, 1996: 19). He traced a crucial change in the "art of government" to the early eighteenth century and the emergence of a new mode of governmentality focused on the "right manner of disposing things" which relied on the deployment of particular tactics and techniques rather than the abstract laws of previous regimes (Foucault, 1991: 95). This change involved the constitution of 'population' as the object of government and the isolation of 'the economy' as a sphere of reality in which the nascent sciences of statistics and political economy played a crucial role. The mobilisation of disciplinary instruments for managing population relied upon these particular forms of knowledge (Foucault, 1991: 98-104). The rather top-down emphasis of these writings seem to have been developed at a point when Foucault's characteristic emphasis on studying the exercise of power in its "local forms and institutions" (Foucault, 1980: 96) was being supplemented by a growing interest in the colonisation and integration of diverse micro-powers into more global systems of domination (Foucault, 1980: 96; Jessop, 1990b: 234-35).

Neo-Foucauldian writers have developed and extended this approach,



applying some of Foucault's basic insights and emphases in studies of particular political rationalities such as liberalism, neo-liberalism and social democracy (see Burchell *et al.*, 1991; Barry *et al.*, 1996). This section concentrates on the work of Nikolas Rose in particular, who stresses the importance of knowledge and expertise to modern forms of government:

Government is intrinsically linked to the activities of expertise, whose role is not one of weaving an all-pervasive web of 'social control', but of enacting assorted attempts at the calculated administration of diverse aspects of conduct through countless, often competing, local tactics of education, persuasion, inducement, management, incitement, motivation and encouragement (Rose and Miller, 1992: 175).

This concern with the incorporation of expertise by political forces seeking to mobilise 'external' agents and techniques (Rose and Miller, 1992: 181) bears close similarities to Jessop's relational view of the state. For Rose, what makes particular techniques and practices governmental is their capacity to be made practical, to be transformed into concrete devices for managing and directing reality (Rose, 1996a: 41). As an inherently problematising activity which frames the obligations of authorities in terms of the problems they address, government depends upon knowledge (Rose and Miller, 1992: 181-2). The disciplinary knowledges of the social sciences play an important role here in providing an "intellectual machinery" of ordering procedures and explanations which construct and frame reality in ways that allow government to act upon it (Rose and Miller, 1992: 182).⁸ Yet expertise can also pose problems for government given the tendency of specialist knowledge to form *enclosures*: tightly-bounded sites within which the authority of experts is concentrated and defended against external interference (Rose and Miller, 1992: 190).⁹

Ruling strategies are characteristically structured and articulated through specific *programmes of government* (Rose and Miller, 1992: 181). These consist of efforts to address identified problems through more or less coherent plans or strategies that specify intended outcomes consistent with the principles of underlying political rationalities. Rose and Miller (1992: 185) refer to the set of mechanisms, techniques and procedures through which programmes are activated and put into practice as *technologies of government*. Following Latour (1987), inscription and calculation are identified as key technologies of government, enabling 'enclosures' to be breached by 'responsibilising' and disciplining local actors to the claims of central authority (Rose,

1996a). The objects of government are represented through these crucial processes; their characteristics recorded and collected as information. These methods of inscription work to make reality "stable, mobile, comparable, combinable", thereby enabling government to act upon it (Rose and Miller, 1992: 185). Through successive 'cycles of accumulation', information is gathered and transferred back to distant centres (Latour, 1987). By bringing traces of distant objects of government back to *centres of calculation* in this way, government is able to 'act at a distance' on these same objects (Latour, 1987: 227, 239; Rose and Miller, 1992: 185). Centres of calculation are the key nodes where information is compared, combined and aggregated through the deployment of statistical and mathematical techniques (Latour, 1987: 237-40). These mobile technologies enable events to be connected and aggregated across time and space, creating particular representations of the objects of government such as public opinion, Gross National Product, unemployment rates and birth rates which can then be programmed and manipulated as autonomous entities by governmental actors and agencies (Rose and Miller, 1992: 186).

These arguments owe much to the development of actor-network theory by Latour and others (Latour, 1986, 1997; Callon, 1986). Actor-network theory styles itself as the 'sociology of translation', focusing on how actors attempt to enrol other actors into networks, translating their identities and re-defining their roles according to their place within the network (Latour, 1986, Callon, 1986; Murdoch, 1995). Power is an outcome, an effect rather than a cause of action (Latour, 1986, 1997).¹⁰ Actors become powerful by building stable networks through the enrolment of other actors. This process is crucially dependent on the non-human intermediaries - technological artefacts, texts, machines, money - used to bind networks together (Latour, 1997). A number of recent studies have applied these ideas in analyses of networks linking local and non-local actors (Murdoch and Marsden, 1994, 1995; Murdoch and Abram, 1998). Murdoch and Marsden (1995) demonstrate how a mineral extraction proposal in North Buckinghamshire - embedded within a broader official network of government, developers and planning authorities held together by calculations of mineral demand - was successfully resisted by local residents through the formation of an 'anti-development network' able to 'enrol' significant national actors in the

campaign. This case study shows the autonomous capacity of actors not only to translate central priorities into their own terms, but also to refuse enrolment, resisting and challenging the logic of the network to the extent of forming their own network to contest the issue. This is a useful lesson in the context of neo-Gramscian state theory's emphasis on the state as political strategy, suggesting that central priorities are likely to be transformed as they come into contact with the priorities of other actors within institutional networks.

Neo-Foucauldian writers like Rose, however, are quick to distinguish their analyses from the traditions of state theory (Rose, 1996a; Rose and Miller, 1992). For governmentality theorists, the entrenched dualisms - state and society, public and private, government and market - that have dominated political thought are wholly inadequate as devices for grasping the complexities of modern government (Barry *et al.*, 1996: 1-2; Rose, 1996a; Rose and Miller, 1992: 174). They criticise the tendency to over-value the state by giving it an illusionary functionality and unity, arguing that state power is an outcome of the interaction of diverse forces, an effect rather than a cause, such that it cannot be used as an explanation of social change but must itself be explained (Rose, 1996a: 42). The object of analysis is not the state's domination of civil society but the "governmentalisation of the state": examining how a complex of diverse institutions, techniques and practices are mobilised, articulated and operationalised within particular programmes of government (Rose and Miller, 1992: 175, 177). Rose and Miller (1992: 176-78) counter-pose their account of '*political power beyond the state*' to the sociology of state formation (Giddens, 1985; Mann, 1988), criticising the latter's realist orientation towards uncovering the forces driving the growth of the state. By contrast, they view the state as a "historically variable linguistic device for conceptualising and articulating ways of ruling" that has emerged and been consolidated within discursive fields structured by traditional political thought (Rose and Miller, 1992: 177).

These claims appear to undermine state theory, and the Marxist tradition represented by Jessop in particular. In many ways, however, this incompatibility is more apparent than real. Governmentality theorists offer a caricature of state theory

which tends to be far less functionalist and reductionist than they claim (Jessop, 1990b). This is particularly the case for Jessop's 'strategic-relational' approach which has worked through many of the problems that the neo-Foucauldians point to. To this extent, their criticisms miss their target. Jessop's relational approach successfully overcomes the distinction between state and society which he accuses contemporary 'state-centred' approaches of reifying (Jessop, 1990b: 288). Neither does he assume state unity and functionality. Indeed, the emphasis on the role of 'state projects' in overcoming internal fragmentation by mobilising state personnel and institutions behind a distinct line of action parallels the neo-Foucauldian emphasis on programmes of government. While governmentality theorists' refusal to consider any links between government and external determinants like class or capital brings about a decisive break with the Marxist tradition, in many ways the concern with the interaction of diverse tactics, techniques and procedures echoes Poulantzas's later work on the state as a relation of forces (Poulantzas, 1978).

The post-structuralist stress on the state as *merely* a product of political discourse is also misconceived. For the state is much more than just an idea, having a distinct *institutional materiality* as an ensemble of diverse agencies, practices and techniques (Poulantzas, 1978; Jessop, 1990b; Hay, 1996). From a realist perspective, the state has ontological status as a distinct object, although our knowledge of it can only be gained through particular forms of discourse and representation (Sayer, 1992a, b; Pratt, 1995; Yeung, 1997). The crucial implication of this is that social objects such as the state have, once established and consolidated, a relative autonomy from our ways of knowing that is rooted in their 'emergent properties' (Sayer, 1992a). Whilst the state is indeed a "device for conceptualising ways of ruling" (Rose and Miller, 1992: 177), it cannot be reduced to this.¹¹

Where the 'strategic-relational' approach goes beyond governmentality theorists is in its on-going concern with locating the social bases of state power (Jessop, 1990b). Although neo-Foucauldians are concerned with the relationship between government and expertise, this tends to be translated into a one-sided focus on the incorporation of expertise through programmes of government. Both

government and expertise remain curiously 'faceless' in the absence of any indication of which social groups are represented and involved. Jessop (1990: 269-70) observes that the state has no power as such, only the power of the social forces acting through it, though this is mediated and modified by the institutional capacities and liabilities of the state. Similarly, it is not programmes and technologies of government that act, but the social forces deploying these mechanisms and techniques for their own particular purposes. This under-socialisation of governmentality approaches stems from their Foucauldian roots. For Foucault's marked reluctance to relate power to social and economic structures led critics to allege that he invariably reified and essentialised power by reducing it to the "modalities of its exercise" (Poulantzas, 1978: 148-50; cf. Jessop, 1990b: 220-241). In effect, neo-Foucauldian theories of governmentality reproduce this problem.

This section has argued that notions of governmentality provide analytical concepts for grasping the nature of the practical mechanisms deployed to govern and regulate local economic space, directing attention to the vital role of expertise in this process. The emphasis on power as an effect of the successful construction and stabilisation of networks highlights the capacity of actors to translate and adapt the projects of others to their own purposes, providing a useful counter to any tendency to reify and essentialise state strategy by stressing the capacity for translation within institutional networks.

The thesis's reliance on these insights does not, however, signal acceptance of the epistemological project of neo-Foucauldian theorists. Rather, key insights are combined within a broader conceptual framework structured by the RA and neo-Gramscian state theory. This is underpinned by a loose form of critical realism that accepts the key role of discourse and language in constituting our knowledge of social objects like the state whilst resisting any move to *reduce* these objects to discourse or language (Sayer, 1992a, b; Pratt, 1995; Yeung, 1997). When re-conceptualised in this way, the insights of governmentality theorists become compatible with a critical realist position. One way in which governmentality theories contribute towards the analysis of rural governance in the Scottish Highlands is in conceptualising the role of

neo-liberal governmentalities in the establishment and regulation of local state agencies (see Chapters four and five). They also focus attention on how these agencies problematise the processes and objects of governing as they seek to represent and intervene in local economic space (Ward and McNicholas, 1998).

2.6. Conclusion

This chapter has reviewed three bodies of work in search of conceptual insights which can be operationalised in research on rural governance in the Scottish Highlands. It has sought to develop a new synthesis, connecting governmentality theories to the links being drawn between the Regulation Approach and neo-Gramscian state theory. The value of the RA is twofold. First, it contextualises rural governance by placing key unelected agencies like LECs within the context of a broader search for a 'new institutional fix' by national state actors. Second, it provides a set of methodological principles for research on local governance, stressing regulation as a contested process rather than a completed structure and the importance of distinguishing between the objects and agents of regulation whilst maintaining that these 'objects' are themselves constituted through the regulatory process. The contribution of neo-Gramscian state theory is to 'fill in' the political and strategic context neglected by the RA. Its emphasis on the state as a system of 'strategic selectivity' draws attention to the ways in which social forces utilise the capacities of the state to generate 'state projects', 'accumulation strategies' and hegemonic projects' which benefit the groups making up the social base of the state. This provides valuable contextualisation, and by viewing the establishment of unelected agencies like LECs as a product of state strategy corrects any tendency towards economism or functionalism. More directly, however, the emphasis on strategic selectivity focuses attention on the question of whether the representational regimes of local state agencies and the institutional practices they deploy privilege the interests of some groups over others. Governmentality theories go beyond this in considering the 'how' of rural governance, focusing attention on the mechanisms and practices used to regulate rural space and the crucial role of expert knowledge in mediating and directing this process. They also balance the neo-Gramscian tendency to privilege

strategy formulation at the national level by stressing local and regional actors' capacity to contest and translate central agendas within institutional networks.

This conceptual framework is directly employed in Chapter four to interpret the establishment of the HIE Network in terms of a process of institutional experimentation. The search for a new regulatory fix involved a transformation of the state as the structures of post-war Fordism were dismantled and a new layer of unelected, business-led agencies established at the local level. The regulation approach is unable, however, to explain why this process seems to have privileged the 'local' as an 'object' of regulation. Chapter three addresses the tendency to take the local and regional economies for granted as objects of analysis by reviewing the historical construction of the Highlands as a 'problem' space requiring particular forms of political and economic regulation. Through an analysis of the strategies and practices of the HIDB in particular - perhaps the most important institutional 'solution' devised during the course of the twentieth century - analysis of the political structuration of the HIE Network is placed within a historical context.

Notes

¹ For Hay and Jessop, these characteristics define a British school of regulationist analysis whilst Jones (1997b) sees them as constitutive of a 'third generation' approach, distinguished from a 'first generation' focus on macro-economic stabilisation (Aglietta, 1979) and 'second generation' concerns with the insertion of national economies into international economic space (Lipietz, 1986, 1992).

² Not all regulationists recognise the accumulation system, using the regime of accumulation to also refer to the narrower relationship between production and consumption. This thesis follows Peck and Tickell in emphasising that the concept of accumulation system is useful in specifying the domain which the mode of regulation acts upon, leaving the regime of accumulation to refer - at a higher level of abstraction - to the general system formed out of the coupling between the accumulation system and mode of regulation (Tickell and Peck, 1992; Peck and Tickell, 1992, 1994a, 1995a).

³ Jessop prefers the precision of this term to the more general mode of regulation since it captures both the object and modality of regulation (Jessop, 1995: 316-7). This contrasts with Peck and Tickell who rely upon a notion of mode of social regulation (Tickell and Peck, 1992; Peck and Tickell 1992, 1995a) which tends to conflate the object of regulation and the mechanisms through which regulation operates.

⁴ This confusion appears to have arisen from over-literal translation from the original French in which regulation corresponds more closely to *regularisation* than the

dominant English-language sense of rule-making (*reglementation* in French) (see Jessop, 1995a: 309; 1997a).

⁵ This emphasis is characteristic of Poulantzas's later work, reflecting his gradual shift away from the Althusserian structuralism which had informed his earlier efforts to develop a 'regional' theory of the capitalist state (Poulantzas, 1973; *cf.* Jessop, 1982: 156-80; 1985: 84-114).

⁶ Although this section is informed by certain aspects of actor-network theory, this does not signify an acceptance of the epistemological project of leading actor-network theorists (Callon, 1986; Latour, 1988, 1997). Actor-network theory plays a largely supplementary role in informing the research; in Murdoch's (1995) terms, the thesis does not offer a network analysis of the HIE network.

⁷ Actor-network theory also shares these Foucauldian roots (see Latour, 1997).

⁸ An example of this, emphasised by Foucault (1991) and cited by Miller and Rose, is the role of the theories and techniques of economics in rendering 'the economy' programmable.

⁹ An obvious example highlighted by Rose and Miller (1993: 193-95) is the medical profession's creation of the NHS as an enclosure, successfully resisting external interference until the mid-1970s.

¹⁰ Actor-network theorists tend to exaggerate the originality of this insight. From a different perspective, Jessop concluded his review of Marxist state theory, published in 1982, by making essentially the same point, arguing that state power is an *explanandum* rather than an *explanans* (must be itself explained rather than used to explain) (Jessop, 1982: 225, 254-55).

¹¹ To do so is to commit a form of linguistic reductionism, in line with Bhaskar's broader critique of the 'epistemic fallacy' which reduces being (reality) to knowledge (objects to concepts) (see Sayer, 1992b; Pratt, 1995).

Chapter 3

Redressing History: The Construction of the Scottish Highlands as 'Problem' Region, 1880-1982

3.1. Introduction

Remote areas are full of the ruins of the past ... the remains of failed innovations, and of dead economic periods, scatter the landscape ... Remote areas cry out for development, but they are the continuous victims of visions of development ... Remote areas offer images of unbridled pessimism or utopian optimism, of change and decay, in their memorials. Within [the] total landscape with ruins (and a few human figures) nest many smaller landscapes with their own ruins (Ardener, 1987: 46, original emphasis).

This chapter reviews the twentieth century history of the Highlands in order to place the analysis of the politics of rural governance in the Scottish Highlands since 1991 within a broader historical context. It takes up Chapter two's call to consider the processes through which local and regional economies are constituted as 'objects' of regulation by assessing the construction of the Highlands as a 'problem' region. A succession of special-purpose agencies have been established to promote economic development since the 1880s, and the chapter pays particular attention to the HIDB as the most significant institutional 'experiment' of the twentieth century. In this context, LECs can be seen as the latest in a series of institutional 'solutions' to the Highland 'problem'. The fact that development is still being promoted in the late 1990s indicates that these efforts have been less than fully successful in addressing underlying problems of underdevelopment and remoteness. The Highlands provide a paradigm case of a remote area subject to successive visions of development in which the remains of development schemes introduced in earlier eras continue to scatter the landscape.

This chapter is informed by calls for a 'reconstructed regional geography' that views regions as social constructs in a state of continual transformation (Gregory, 1978; Thrift, 1983, 1990; Pred, 1984; Johnston, 1992; Paasi, 1991; Murphy, 1991). These claims, rarely followed through in empirical research, can usefully be linked to recent work on the political construction of geographic scales which similarly suggests that scale is socially produced, being actively "implicated in the constitution

of social, economic and political processes" (Delaney and Leitner, 1997: 93; *cf.* Swyngedouw, 1997; Cox, 1998; K. Jones, 1998; Brenner, 1998). Both literatures provide a useful starting point for regulationist work which aims to overcome the tendency to take local economies for granted as objects of analysis.

The chapter is structured in two main sections. First, it considers the historical construction of the Highlands as a distinctive region, paying particular attention to its institutionalisation within political structures since the 1880s. Second, it examines the strategies and practices of the HIDB from 1965 to 1982 through three sub-sections. The first focuses on the origins of the HIDB, demonstrating how a Labour Party committed to economic modernisation and regional planning incorporated local demands for a powerful development authority. The second considers the early HIDB in some detail. The third focuses on a significant re-orientation of HIDB policy in the late 1970s in the face of economic stagnation and local political pressures.

3.2. The Construction and Institutionalisation of the Scottish Highlands, 1880-1965

If there is bitterness in my voice, I can assure the House that there is bitterness in Scotland too, when we consider the history of these areas. We have to put this aside, however, to do what we are all now determined must be done to redress history ... For two hundred years the Highlander has been the man on Scotland's conscience ... No part of Scotland has been given a shabbier deal by history ... Too often there has only been one way out of his troubles for the person born in the Highlands - emigration. (*Hansard*, 16 March 1965).

These words, spoken by the Labour Secretary of State, Willie Ross, as he introduced the bill establishing the HIDB to the House of Commons in March 1965, represent perhaps the most powerful statement of the often unspoken assumptions and agendas which have framed Highland policy in the twentieth century. They reflect concerns about the place of the Highlands within Scottish society, raising questions not only about 'history' but also about the way that history has come to be viewed and represented. How did the 'Highlander' come to occupy this place on "Scotland's conscience"? The desire to "redress history" has been a key theme underlying policy, and economic development has been seen as a way of equalising opportunity and increasing living standards. Recent work on the construction and transformation of regions provides a useful framework for considering questions about the position and status of the Highlands within Scotland and Britain (Pred, 1984; Paasi, 1986, 1991;

Murphy, 1991).

Paasi (1986, 1991) has conceptualised the emergence and transformation of regional structures in terms of four distinct stages: the development of 'territorial shape' through processes of material transformation which define regional boundaries and structures; the creation of 'symbolic shape' as regional symbols and images enter into the consciousness of the wider society; the emergence of institutions as key agencies of socialisation reproducing regional distinctiveness; and the consolidation of the region within wider social and economic structures through a continuation of these institutionalisation processes. These 'stages' are, however, interdependent rather than sequential (MacLeod, 1998a: 836-7). Paasi (1991) emphasises how regions are reproduced through socialisation processes (spatial socialisation), introducing the concept of *structures of expectation* to help understand the ways in which human experience is bound up with the (re)production and transformation of regional space. This term refers to how people organise their knowledge of the world on the basis of the historical accumulation of experience in particular places and then use these resources to react to new experiences.¹ Paasi argues that it expresses collective, institutionally-mediated rules established through the development of regional consciousness and which are always expressed through language (Paasi, 1991: 249-50).

Most of the institutional structures that have shaped Highland development policy in the twentieth century were established in the period 1880-1925. Perhaps most importantly, the Liberal government passed the Crofters' Holding (Scotland) Act in 1886 in response to crofter agitation.² This can be seen as a critical moment in the institutionalisation of the Highlands in that it created, through the formation of the Crofting Counties, a distinct administrative region, defined by government recognition of customary land rights (Cameron, 1997, 1998). Crucially, the crofters' discourse of land rights succeeded in disrupting romanticised representations which had given the Highlands much of their 'symbolic shape' since the late eighteenth century (Paasi, 1991). Government intervention reflected official perceptions of the Highlands as a 'problem' region containing a unique set of difficulties that required a

distinct set of policy instruments (Devine, 1994: 239). Economic integration had accentuated the region's peripherality, creating a dependence on external demand for key commodities and establishing a highly marginal economic structure based on agricultural units (crofts) that were so small as to require another source of income (Cameron, 1996a: 8-9). As Geddes (1984) argues, the net result of the crisis of the 1880s was a regional society increasingly regulated by the state. Although "a vague and ill-defined commitment" to a policy of economic and social development emerged after the 1886 Crofters' Act (Devine, 1994: 228), state intervention in the 1880-1925 period remained primarily a short-term political response to shifting patterns of unrest (Cameron, 1996a). For many critics, the protection offered by the Crofters' Act has succeeded only in ossifying an inefficient structure of land-holding, creating structural rigidities that have prevented modernisation and development in the twentieth century (Gillanders, 1968; Cameron, 1996a).

The role of the state in the region continued to expand after 1920. In contrast to the special measures of the previous period, intervention took the form of applying and administering national legislation. The local state assumed a key role in administering new provisions as it "evolved new functions and services" (Collier, 1953: 90). By the 1920s, the traditional industries of the Highlands (agriculture, weaving, and fishing), the source of relative prosperity in the late nineteenth and early twentieth century, were in prolonged decline, prompting large-scale emigration, with thousands leaving the Western Isles (especially Lewis) alone in the 1920s (Table 3.1) (Ennew, 1981).

Although state intervention was a response to the traditional elites' inability to maintain social stability in the face of class conflict in the 1880s, landowning interests remained influential (Cameron, 1996a). Landowners extended and consolidated their control of the local state in the 1920s and 1930s, exploiting the networks of power that bound them to British financial and political elites. They sought to re-position themselves within an emerging preservationist discourse associated with newly-formed institutions like the Association for the Preservation of Rural Scotland (APRS) and the National Trust for Scotland. Although it drew heavily upon the established

'tradition' of Highlandism, preservationist discourse involved significant re-imagining of the region. The construction of the Highland landscape as a glorious wilderness preserved by the enlightened actions of a benevolent class of patriots functioned to naturalise the prevailing social order of the Highlands and its associated elite culture (Hunter, 1995; Lorimer, 1997b).

Table 3.1. Population Change by District, 1921-61

Area	1921	1931	1951	1961
HIDB Area	325,853	293,212	285,786	277,948
Shetland	25,520	21,421	19,352	21,812
Orkney	24,111	22,077	21,255	18,747
Caithness	28,285	25,656	22,710	27,370
Sutherland	17,802	16,301	13,670	13,507
Ross and Cromarty	42,440	37,594	36,777	35,705
Inverness	38,194	40,046	45,620	45,820
Badenoch	7,926	6,784	6,814	6,473
Skye	11,607	10,407	8,632	7,772
Western Isles	44,177	38,986	35,591	32,609
Lochaber	11,426	13,198	13,783	14,236
Argyll	73,365	60,942	61,582	57,797

Source: (adapted from HIDB, *Eighth Report*, 1973: 88, based on Census of Population).

Yet elite groups continued to provoke resistance. Lorimer (1997b) identifies three main sources of opposition to landed authority: the growth of an outdoor recreation movement among urban working class youth; arguments for further land settlement and rural re-population; and calls for integrated development and regional reconstruction. Proposals for a development authority were inspired by the Tennessee Valley Authority (TVA), set up as part of Roosevelt's 'New Deal' in the United States (Grant, 1935; Murchison, 1938), and resulted in the formation of the Highland Development League (HDL) in February 1936. In some respects, the political climate of the 1930s was receptive to the demands of HDL activists. The development of

regional policy through the creation of Special Areas of assistance reflected a limited but significant shift towards economic management and state intervention (Parsons, 1988: 1-23). This trend was particularly evident in Scotland as political and industrial elites sought to retain legitimacy by establishing interventionist bodies as part of an emerging 'technocracy' (Paterson, 1994: 105-15). In 1936 the Scottish Economic Committee, set up in response to the depression, sponsored a special Highland sub-committee (the Hilleary Committee) (Hunter, 1991). While the Committee's investigations marked a change in the official construction of the Highland 'problem' as 'depopulation' rather than 'congestion' - the problem which had pre-occupied an earlier generation of administrators - became the central concern, the outbreak of war in 1939 saw its proposals shelved.

Despite its appetite for economic intervention, the post-war Labour government offered little in the way of distinct measures for the Highlands. It ignored renewed calls for a Highland development authority, establishing instead the Highlands and Islands Advisory Panel, composed of County Council representatives and Highland MPs, plus four members appointed by the Secretary of State (Thompson, 1978). The idea of a Highland development authority surfaced intermittently throughout the Panel's life, and, in 1954, the Balfour Commission on Scottish Affairs considered the issue, only to reject it on the grounds that it would inevitably impinge upon the functions of local authorities (Magnusson, 1968; Thompson, 1978).

By the late 1950s, however, criticisms of the unwieldy structure and inefficient practice of the local state in the Highlands were mounting (Darling, 1955; Magnusson, 1968). The economic crisis of the Highlands intensified in the post-war period as the relentless decline of traditional primary sector activities left the region in a critical condition (Geddes, 1984: 71-96). Increased awareness of the opportunities being created by the expansion of the British industrial economy fuelled out-migration, threatening the viability of many marginal communities. The condition of 'historic marginality' characteristic of Highland society in the nineteenth century had, by the 1950s, given way to a new condition of 'relative deprivation' (Geddes, 1984: 122-3).

This wider crisis was expressed through the state which became the focus for conflicting demands for a resolution. Although the efforts of HDL activists created the language in which many of these demands were expressed, significant change was dependent upon national political developments. As the Labour and Liberal parties sought to end the long period of Conservative hegemony in the early 1960s, Highland development provided one key area in which they could appeal to the Scottish electorate.

3.3. The Highlands and Islands Development Board: Strategies for Economic and Social Development 1965-81

When the Labour Party was returned to power in 1964, the establishment of a Highland development authority occupied a prominent place in its Scottish political programme. Legislation creating the HIDB was passed without much opposition in 1965. While the Board was granted a broad remit and a wide range of powers, its objectives were twofold: to assist the people of the Highlands to improve their economic and social conditions, and to enable the region to play a more important part in the social and economic development of the (British) nation (*Highlands and Islands Development (Scotland) Act 1965*). To achieve these ends, the Board was granted powers to acquire and dispose of land; to offer financial assistance to business through a grant and loans scheme; and to erect buildings and provide associated services. The HIDB's responsibilities were not narrowly economic; it was charged with securing economic *and social* development. To grant a development agency such wide powers was unprecedented in the context of British regional policy (Carter, 1974: 181).

The creation of the HIDB by the Labour government in 1965 is often presented as a victory for progressive forces, finally breaking the stranglehold of landlordism over political and economic relations in the Scottish Highlands (*Hansard*, 16 March 1965; Geddes, 1981; Hetherington, 1990). This perception has since informed a number of uncritical accounts of the HIDB which stress its unique role as an integrated and progressive regional development agency (see Grassie 1983; Hughes 1983; Alexander 1985; and Geddes, 1981 for a critique). This section attempts to go

beyond these internalist perspectives by developing a critical analysis that places the strategies and practices of the HIDB within a wider economic, political, social and cultural context.

3.3.1. Locating the Origins of the HIDB

Although influential landowners had resisted proposals for large-scale industrial development, significant elements of a "new" economy had been introduced to the region (Geddes, 1984: 97-107). These included developments in aluminium smelting, hydro-electric power, forestry and tourism, in addition to a general expansion in state administration. As Geddes (1984) shows, the cumulative effect of those developments produced major changes in the class structure of Highland society. The simple polarisation between landlords and crofters characteristic of the late nineteenth century was replaced by a more complex social structure in which an expanded middle stratum, employed mainly in state institutions, played an increasingly important role (Geddes, 1984: 106). The increasing contradiction between the demands of these class forces and the tendency of established institutional forms and patterns of representation to privilege landlord interests created further pressure for institutional change. For such demands to be realised, however, they had to be connected to the national political agenda.

Since the decline of the Liberal Party, with which the crofting cause had been closely associated in the late nineteenth and early twentieth century, the Highlands lacked effective institutional channels linking it to national politics. By the early 1960s, however, the links between the middle classes employed in state administration and the Labour Party were becoming increasingly important (Geddes, 1984: 133-6). During its long years in opposition in the 1950s, Labour had been converted to the cause of Highland development (Labour Party, 1953; Thompson 1978; Hunter, 1991: 151). The gathering momentum of the political forces lobbying for a Highland development authority (Johnston, 1964) put the ruling Conservatives on the defensive (Thompson, 1978). Labour's victory in the 1964 General Election seemed to herald a new era of Highland development.

The election victory was secured on the basis of a programme of economic modernisation which appealed to both modernising fractions of capital and organised labour (Geddes, 1984: 133-64). The government promoted an accumulation strategy designed to modernise the British economy in the face of increased competition and growing economic difficulties. Increased technological dynamism was regarded as the key to transformation, and the concentration and centralisation of capital through a series of mergers and alliances was encouraged so as to generate the economies of scale required for large-scale investment. Associated with this was the promotion of rational and scientific modes of economic management and state planning as the means towards securing the key social democratic norms of full employment and economic growth. These developments took place within the broader framework of an established 'Fordist-Keynesian' mode of regulation in which national demand management, the institutionalisation of collective bargaining, and the expansion of the welfare state served to underwrite social demand, thereby guaranteeing the conditions for continued accumulation (Jessop, 1992a, 1994). Within the general context of modernisation and economic planning, regional policy acquired a new importance. This trend had been a feature of the later years of Conservative government which saw Lord Hailsham appointed as 'minister' for the North-east (Parsons, 1988: 116-19). Initially it represented a direct response to the growing problems of the 'old' industrial regions, but, by the early 1960s, the emphasis on modernisation and structural change was leading to a convergence of regional policy around the idea of 'growth poles' (Parsons, 1988: 120).

The Scottish Office, which had been converted to economic planning by the early 1960s, played an important role in the development of the 'growth pole' concept (Paterson, 1994: 118). In 1961 it sponsored the influential Tothill Report which argued for a re-direction of government policy away from managing unemployment in 'problem' areas towards the provision of regional infrastructures to encourage economic growth and modernisation (Harvie, 1977: 180-1; McCrone, 1985: 203; Parsons, 1988: 114-5). It was within this context that the growth pole concept became the "new panacea" for regional economic development, providing a language that

expressed how the development of new industries would transform the fortunes of peripheral regions (Parsons, 1988: 135). A White Paper published after Labour's election victory emphasised the need to encourage the growth of new sectors to replace declining 'smokestack' industries, and, in anticipation of labour shortages, called for more co-ordinated planning (Scottish Office, 1966).

The HIDB was thus established as part of a wider programme of economic modernisation and regional development. Through the formulation of a distinct 'state project', the Labour government sought to unite diverse institutions and interests behind its programme. The Department of Economic Affairs (DEA) was created in an effort to counter the power of the Treasury whilst Economic Planning Councils were set up in the regions to co-ordinate development (Parsons, 1988: 156-64). At the same time, however, the establishment of the HIDB as one expression of this modernising programme was influenced by regionally-specific factors. In particular, it was structured by long-standing demands – initially articulated by the HDL before being taken up by members of the Highland Panel (see p.83) and some local authorities in the 1950s and early 1960s (Thompson, 1978) - for a powerful regional development authority. These demands became increasingly urgent as criticisms of the fragmented nature of the local state in the Highlands mounted, leading to a "regional crisis of the state" that threatened state legitimacy and authority (Geddes, 1984: 133-43). Rationalisation through the creation of a powerful interventionist body served the interests of 'managerial' groups within the state apparatus who had developed close links with national institutions through the Labour Party and trade unions. While the HIDB was primarily the product of national (British) political priorities, it was established and promoted through an appropriated discourse of regional reconstruction and development. Although the concept's roots within regional society ensured widespread support for the Board, its founders' radical rhetoric of 'redressing history' fuelled structures of expectation that the HIDB was to find difficult to meet.

3.3.2. "Thinking big":³ economic modernisation 1965-76

The HIDB was established as a centralised unelected state agency based in

Inverness. It was linked to other parts of the state apparatus, particularly the Scottish Office, whose role as the source of core grant funding and in appointing Board members allowed it to shape policy development. A six-person Board directed the activity of professional staff organised into functional divisions. Professor Robert Grieve, a leading Scottish planner who had been involved in the visionary Clyde Valley Plan of the 1940s, was appointed as the first chairman. John Rollo, a lowland industrialist with nationalist sympathies, was appointed as vice-chairman (Hunter, 1991: 152-55). The Board's four ordinary members were a former Convener of Shetland County Council, an Easter Ross farmer, a local industrialist and a national Trade Union official (Gillanders, 1968). This 'representational regime' reflected broader features of state organisation under Keynesian modes of regulation: in particular, the incorporation of private capital and organised labour as equal partners in economic management. The lack of representation from the peripheral Gaelic-speaking areas was contested at the time, and the perceived inaccessibility of the Board to the demands of the crofting margins was a source of tension throughout its early years (Gillanders, 1968; Carter, 1974).

The success of the HIDB in defining its general approach towards economic and social development was dependent on its capacity to transform the inherited web of economic relations into a coherent and manageable economic 'space' (Jessop, 1997b). Its initial strategy depended on identifying key sectors, companies and areas as appropriate targets for intervention. This process of selection was channelled through specific discursive constructions which distinguished these 'objects' of regulation from their surrounding context, privileging them as immediate strategic priorities. It had two crucial dimensions: distinguishing the local economy from the broader supralocal economic environment and specifying the relationship between the local economy and its extra-economic local environment (Jessop, 1997b: 60). The specific characteristics of the regional economy inherited by the Board simultaneously constrained and enabled its strategic options, defining the parameters of selection and directing it towards particular 'objects' as targets for intervention.

In its first Annual Report, the Board sought to establish a basis for progress:

It is probably the measure of the problem that a host of definitions exist, are passionately pressed upon us, and are so often mutually exclusive ... The Board ... paid great attention to all points of view ... In the midst of such a complexity of opinion, some simple facts and aims must be the basis of understanding and the impetus for action (HIDB, *First Report*: 1-2).

This not only acknowledges the competing pressures on the Board, it also emphasises its pluralist credentials, stating that it listened to and took account of "all points of view". The Board saw its role as that of a neutral umpire required to arbitrate between competing demands, and identify and act upon the common interest. This need to present itself as independent of social conflict was crucial to the Board's efforts to construct itself as a legitimate authority empowered to impose objective solutions on the regional problems it inherited. Such 'objective' solutions depended, however, on equally 'objective' definitions of the 'problem'. In moving towards its own definition of the Highland 'problem' the HIDB fell back on a "commonsense empiricism" (Geddes, 1981: 5), stressing the importance of "some simple facts and aims" as a starting point.

In emphasising depopulation as the "central problem" and stating that "most opinions" accepted this (*First Report*: 1-2), the HIDB drew upon an established discourse which stressed demographic loss as the crux of the Highland 'problem'. Implicitly, however, the Board seemed to regard the depopulation problem as a reflection of deeper economic difficulties, themselves stemming from the fact that the Highlands had been by-passed by the "various revolutions in agriculture, industry and technology" (*First Report*: 1-2). The Highland economy, as the specific 'object' of regulation, was constructed as having been marginalised because of its isolation from progressive historical forces. In actuality, however, the region's marginalisation was precisely the product of its structural relations with the wider capitalist economy (Carter, 1974; Hunter, 1976; Smith, 1992). In this sense, peripherality is actively produced through the dynamic linkages which connect the Highlands to a wider set of economic and political relations (see Massey, 1995). One crucial effect of the HIDB's definition of the Highland 'problem' was to create a space for it to intercede as the agent of regional transformation. Accordingly, the orientation of the Board's accumulation strategy was towards the 'integration' of the Highlands into the capitalist economy.

As well as being shaped by inherited local economic structures, the Board's strategy operated within the broader context of national economic policy. By 1965-66, the Labour government's initial emphasis on growth poles and modernisation was being balanced by a renewed commitment to directing investment to peripheral regions (Parsons, 1988: 151-55). Following the Toothill Report, the 1965 White Paper on the Scottish economy emphasised the need for modernisation and structural change, identifying the Inner Moray Firth, Caithness and Lochaber as areas suitable for industrial development (Scottish Office, 1966; Gillanders, 1968: 126). HIDB strategy followed this line directly, identifying the same three areas as growth poles. The Board also drew upon the White Paper in its selection of three key sectors - manufacturing, forestry and tourism - for development. Manufacturing was presented as the key to regional regeneration:

Manufacturing industry is very poorly represented in the Highlands and Islands. Without it, the region will continue to lack any real possibility of a substantial enough rise in numbers to give credibility to Highland regeneration. Modern industrial enterprises are absolutely essential in providing more of the range of skills and initiative which will breed new enterprises and broader the range of social and cultural leadership. (HIDB, *First Report*: 4).

Industrial development thus became the core of the Board's efforts to present itself as a progressive vehicle for regional transformation. The impact of such development would be comprehensive, modernising not only the economy but also social structures and cultural attitudes.

The means by which the HIDB intervened in the regional economy were structured by the combination of comprehensiveness and selectivity inscribed in the founding legislation (Geddes, 1981). Unlike traditional regional policy, the Board was neither limited to the provision of grants and loans nor required to assist any job-creating activity. Key firms and sectors could thus be singled out as targets of intervention and assisted with measures ranging from property provision to marketing whilst less progressive units of capital were ignored. This ensured the Board could have a substantial transforming impact on individual sectors and enterprises (Geddes, 1981). The marketing of the region to external investors was one area in which the deployment of a specific set of discursive and material practices was directed towards regional economic transformation. Presentations at trade fairs and exhibitions stressed the attractions of the Highlands as a modern industrial location offering a pliable

labour force and a high quality of life (HIDB *Fourth Report* 1969; *Seventh Report* 1972; Geddes 1981).

Whilst the HIDB followed the priorities of national economic policy, its project of economic modernisation echoed the HDL's arguments for regional regeneration. This selective appropriation of pre-existing discursive resources helped to legitimate the HIDB's claims to authority by presenting its policies as responses to long-standing demands for a powerful regional development authority. The breadth of powers granted to the HIDB also served an important legitimising function, enabling it to cast itself as a unique and effective regional development agency (Geddes, 1981). The rhetoric of 'modernisation' and 'development' through which the Board strove to present its programme as being in the interests of all social groups was underpinned by a wider contemporary belief in the capacity of science and technology to improve economic and social conditions.

The programme of economic modernisation through which the ambitions of the HIDB were articulated was dependent on external economic processes generating flows of investment into the region. It was these conditions that gave the Board's early public pronouncements much of their "rhetorical ebullience" (Geddes, 1981: 11). The government's decision to establish an aluminium smelter at Invergordon and the opening-up of the North Sea for oil exploration provided external boosts to HIDB strategy (HIDB, *Third Report* 1968; *Fifth Report* 1970). In particular, the demand for offshore platforms and drilling rigs offered further opportunities for large-scale industrial development in adjacent onshore areas. The HIDB saw this as providing momentum for its growth pole strategy as it promoted the attractions of the Inner Moray Firth area (HIDB, *First Report* 1967; *Third Report* 1968; *Fourth Report* 1969). The Board's role here was largely a coordinating one, ensuring that the requirements of developers for labour, infrastructure and housing could be met. Subsequent developments included the decisions of the American multinationals Brown and Root and McDermotts to locate platform fabrication yards at Nigg Bay in Easter Ross and Ardersier outside Inverness respectively. The scale of these developments, with the Nigg yard alone employing 5000 workers in its peak years of the late 1970s, allowed

the Board to speak of the development of a 'linear city' along the shores of the Moray Firth. Yet, while large-scale industrial transformation was presented as being in the 'general' interest because of its capacity to provide employment and income, its massive impact on small communities provoked much local opposition.

The Nigg yard was opposed by a coalition of local residents, farmers and landowners concerned about the disruption and pollution involved and viewing the influx of industrial labour as a threat to the 'Highland way of life' (West, 1973). Similar fears influenced the Secretary of State's decision to refuse planning permission for the proposed Drumbuie platform construction yard on the West coast (*WHFP* 23.8.1974). The rhetoric of those opposing development, with their stress on the need to protect the pre-existing character of the Highlands, echoed long-standing notions of the region as a place separate from modernity. Concerns about the impact of industrialisation on the landscape in particular demonstrate a striking resemblance to arguments against hydro-electric development in the 1930s and 1940s (Lorimer, 1997b). The Board continued to be unimpressed by such arguments, dismissing opponents for their inhibiting influence on 'development':

Where traditional impressions of the Highlands and Islands rest on romanticism and emotion they can be a hindrance to the sound development of the region. It is the Board's duty to provide information about the region and most of the work in press and public relations is devoted to opening up new channels of communication so that the Highlands can be seen as they really are (*HIDB, Fifth Report: 59*).

This statement illustrates the tendency to marginalise all opposition by lumping it together as 'reactionary'. The HIDB was actively constructing a new image of the Highlands as a modern development area containing all the pre-conditions of industrial growth. This official discourse of development challenged romanticised constructions of the region whilst dismissing the arguments of those groups who, drawing on a radical tradition, expressed reservations about the entry of industrial capital. Much of this discourse's authority rested on the Board's formal resources and accumulated local knowledge. Since 1965 the HIDB had deployed these resources to gather a range of information on economic and demographic trends in the Highlands. Its designation of 17 'statistical areas'⁴ increased the institutional capacity of the Board, providing it with a more accurate source of data and allowing it to compare the economic performance of different parts of the Highlands at more a detailed scale than

had been possible previously.

The backward-looking ideologies of opponents were contrasted with the hard-headed pragmatism of the HIDB, striving to provide 'objective' information about the Highlands to potential investors. In the forewords of successive Annual Reports, the Board proclaimed the progress that had been made, though acknowledging the persistence of some key problems (HIDB, *Third Report* 1968; *Fourth Report* 1969; *Seventh Report* 1972). The effect of this mode of presentation, in which “progress” was separated off from “problems” (seen as either stemming from the legacy of prior inadequacies or as secondary by-products of the development process), was to separate the future (progress) from an undeveloped past, leaving little room for the on-going contradictions of development (Geddes, 1981: 10-11).

The radical rhetoric accompanying the establishment of the HIDB fuelled local structures of expectation, leading many residents to anticipate a substantial assault on the existing structure of land-ownership. The Board's compulsory purchase powers gave it the capacity to introduce new forms of ownership (Geddes, 1981). But the *First Report* took a cautious line, stressing the complexity of the issues, and insisting on the need for a “land use plan”. In response to concerns about the inhibiting effect of large estates on development, the Board saw the problem as one of land use, initiating a programme of comprehensive development in two sample areas in order to encourage more intensive utilisation of land (HIDB, *Second Report* 1967; *Third Report* 1968). This tendency to turn social and political questions regarding the structure of land ownership into technical questions of land use (Geddes, 1984: 195-218) reflected the HIDB's general construction of its role as a neutral and objective body standing above the conflicting demands of regional society.

3.3.3 Recession, Resistance, Re-appraisal

After more than a century of decline, population levels had risen markedly in the early 1970s (Table 3.2). While the HIDB sought to take credit from this, its credibility was undermined by the unevenness of growth. By the early 1970s, there was evidence that oil-related development in Easter Ross was drawing labour out of

peripheral areas like Lewis, thereby intensifying the rural depopulation problem that the Board had been set up to address (*WHFP* 4.5.1973; HIDB, *Ninth Report* 1974: 15). This forced it to recognise the problem of 'unbalanced development' (*Eighth Report*, 1973: foreword).

Table 3.2. Population Change by local authority area,⁵ 1961-81

Area	1971	1974	1981
HIDB Area	298,331	308,913	340,508
Caithness	27,779	27,901	27,636
Sutherland	13,634	13,410	13,308
Ross and Cromarty	34,600	38,226	46,687
Skye and Lochalsh	9,644	9,759	10,602
Lochaber	18,674	19,226	19,491
Inverness	49,004	51,897	57,101
Badenoch and Strathspey	8,736	9,043	9,859
Nairn	8,304	8,906	9,953
Orkney	17,137	17,462	19,047
Shetland	17,535	18,445	23,388
Western Isles	30,327	30,060	31,637
Argyll and Bute	62,957	64,578	66,141

Source: HIDB, *Fifteenth Report* 1980: 115; *Eighteenth Report* 1983: 62.

By the mid-1970s, the HIDB's approach to development was provoking resistance in peripheral areas, where it was regarded as an unresponsive and inaccessible agency lacking real commitment to rural development (*WHFP* 4.5.1973; Ennew 1981; Geddes, 1981; 1984: 227-237). Accusations of secrecy regarding its response to claims that the bulk of investment was being concentrated in growth areas and generally poor public relations blighted the Board's relations with crofting society (Geddes, 1981). The increasing perception of anti-local discrimination - that the HIDB favoured development proposals from incoming entrepreneurs over those of local people - was articulated through the local press (*WHFP* 11.5.1979). 'Structures of expectations' raised by the creation of the HIDB were being disappointed, and the

tendency to express this disappointment through an established local-incomer dichotomy suggests that it was being translated into more familiar terms through existing discursive resources. Increasingly, these complaints were being expressed as part of a broader process of mobilisation as crofting communities discovered a new assertiveness and confidence (MacDonald, 1990). Radical traditions were re-activated and re-articulated to form an oppositional discourse of cultural and community regeneration in the crofting areas (Geddes, 1984: 230). This discourse was channelled through key institutional sites, particularly the new all-purpose Western Isles Council, established by the 1974 round of local government re-organisation (see below), which provided resources to support the Gaelic language and crofting economy.

At the same time as these developments were exerting increasing pressure on the Board, economic recession was curtailing the supply of external investment. There had also been a significant change in personnel as a new chairman, Sir Kenneth Alexander, a leading economist closely linked to the Labour Party, replaced the previous Conservative appointee in late 1975 (*WHFP* 17.10.1975). These developments converged to prompt a shift in the Board's activities. In particular, the decision to launch a scheme of community cooperatives in the peripheral areas marked a radical departure from previous policy⁶ (HIDB, *Twelfth Report*, 1977). It can be seen as a response to the political problems stemming from the HIDB's failure to reverse the long-standing pattern of economic and social decline in the North-west. The scheme sought to address the specific development problems of these areas by drawing upon their communal traditions (Geddes, 1981). In this period, the Board also began to develop a network of local offices in order to address the accusation that it was inaccessible, while it expressed support for the Gaelic language and developed proposals for the compulsory purchase of under-utilised estates (HIDB, *Twelfth Report*, 1977).

The reorganisation of local government in Scotland in 1974 had major implications for the Highlands. The rationale behind the re-organisation was one of modernisation. The existing structure of local government was perceived, particularly by the Scottish Office, as archaic and fragmented. The parochialism and traditionalism

of many local authorities sat uneasily with the prevailing ethos of economic planning and modernisation (Hutchison, 1996: 60-1). The demand for large-scale authorities with the resource base to provide integrated services and greater strategic coordination resulted in the creation of Regional Councils as part of a two-tier structure of local government. In the Highlands, after considerable lobbying and negotiation, three all-purpose island authorities, Highland Regional Council (HRC), and eight District Councils came into operation in May 1975 (Kerr, 1990; HRC, 1996). While the tradition of political independence survived, 'modernisation' seems to have enhanced the power of internal bureaucracies and encouraged the emergence of a new generation of professional councillors.

The relationships between the HIDB and local authorities were complex. Although both organisations shared similar goals of economic and social development, the means by which these were to be achieved became the subject of periodic dispute. While formal liaison meetings ensured some strategic coordination, the different functions and territorial remits of the HIDB and local authorities produced conflict. These could become acute if a council felt that HIDB activity was undermining their authority or, in contrast, if they felt that their area was being neglected. The tendency of local councillors to periodically deploy a rhetoric of democracy and public service to oppose HIDB claims⁷ (*WHFP* 24.5.1989) seemed to reflect their perceptions of being marginalised by technocratic authority.

The late 1960s and 1970s witnessed a transformation of the Highlands. The nature of the Highland 'problem' changed as new economic sectors replaced traditional industries. The increasing diversity of local economic conditions within the Highlands clashed with established perceptions of a monolithic 'problem' region disadvantaged by the absence of modern industry. Instead of introducing a new era of growth and prosperity, processes of modernisation accentuated established patterns of uneven development. The 'back-wash' effects of large-scale industrial development encouraged labour migration from the rural periphery, intensifying the problem of depopulation that the HIDB had been set up to address. The Board's tendency to view local cultures as obstacles to development, shown by its dismissal of legitimate

concerns about the impact of modernisation on local communities, alienated many potential supporters. While the HIDB changed the focus of its activities in an effort to address these problems in the late 1970s, economic recession was forcing it to focus its energies on the struggle to keep key projects afloat (Grassie, 1983: 116-129). The hardest blow came in December 1981 when the flagship Invergordon smelter closed.⁸ This event seemed to signal a final shattering of "the 1960s dream of implanting large-scale industry into the Highlands" (Wilson in *WHFP* 8.1.92), and called into question the future viability of grandiose projects of economic modernisation.

3.4 Conclusion

This chapter has placed the politics of economic development in the Scottish Highlands within the broader context of the historical construction of the Scottish Highlands as 'problem' region. The 1886 Crofters' Act institutionalised the Scottish Highlands as a distinct administrative region. From this date, it was constituted as a 'problem' region requiring special measures as an official discourse of development was produced and channelled through state agencies. The often unspoken aim of Highland development in the twentieth century has been to 'redress history'. Much of the power of 'development' as state strategy stems from its capacity to promise improved material conditions without redistributing resources between social groups.

Demands for regional development in the face of continuing economic decline were not realised until 1965 when the Labour Party adopted the cause of Highland development as it developed a distinctive electoral appeal to break Conservative hegemony. Although the establishment of the HIDB was crucially dependent on it being adopted by one of the major national political parties as policy, the idea was rooted in regional society. Once established, the HIDB formulated a modernising project which aimed to attract industrial investment by constructing the region as a modern development area. In some respects, the strategy of modernisation proved highly successful as oil-related development in particular transformed regional structures. The HIDB's perceived neglect of the crofting periphery provoked criticism, however, and, as recession undermined the conditions on which modernisation depended, the Board adjusted its strategy in the late 1970s. This suggests that while

the HIDB was largely the product of a national political agenda, it needed to respond to local pressures in order to maintain legitimacy.

By the late 1970s, the combination of economic recession and political change threatened to undermine the HIDB's status and autonomy. At the same time as recession was leading to the closure of many of the 'branch plant' enterprises attracted North since the 1960s, the social democratic state regime was facing crisis. Its inability to address the perceived causes of 'stagflation' spawned a vigorous right-wing critique. As the economic and social consequences of state failure were graphically demonstrated by the 'winter of discontent' in 1978-79, the Conservative opposition was condensed into a coherent Thatcherite alternative (Hall, 1988a, 1988b; Hay 1996a, b). The Conservative Right's success in seizing state power in 1979 allowed it to impose a new trajectory on the structures of the state (Hay, 1996a, b). Chapter four shows how, after an initial period of consolidation, corporatist institutions like the HIDB, faced with the constant threat of abolition, were pressured to 'prove' their worth by demonstrating that they could successfully adapt to the rigours of Thatcherism. It shows how the changes implemented as a result of Conservative pressures in the early 1980s created the conditions for the HIDB to be replaced by HIE, an agency modelled on neo-liberal principles.

Notes

¹ There are obvious parallels with Raymond Williams' more holistic notion of 'structure of feeling' (Williams, 1977: 128-35).

² The Act went beyond the Commission's recommendations in offering security of tenure, fair rents and the right to assign tenancy .

³ This title is derived from a telegram sent by HIDB staff to the Chairman, Professor Robert Grieve, exhorting him to continue to "think big" in the summer of 1967 amidst evidence that the Scottish Office was shaken by the scale of the HIDB's ambitions. (Grassie, 1983: 61).

⁴ When the statistical areas were established in 1970, there were 17, but by 1990 this had risen to 23, reflecting, in part, the incorporation of West Moray and parts of Southern Argyll/ North Ayrshire (Arran and the Cumbraes in particular) into the HIDB area.

⁵ These are the post-1974 local authority areas.

⁶ Former HIDB official, interview 25.11.96.

⁷ Former HIDB board member, interview 7.11.97.

⁸ See Shucksmith and Lloyd 1982; Smith 1982; Hughes 1983; Grassie 1983: 118-29; and Young 1990 for details and viewpoints.

Chapter 4

From the HIDB to HIE: Institutional Restructuring and Economic Governance, 1982-91

4.1. Introduction

The market, it was believed, had to be liberated from the restrictive grip of the plan and the bureaucracy. So the project of Thatcherism ... was popularly defined ... The battle was not just about creating a space to allow untrammelled market forces to reign, but about reconstructing the institutional infrastructure through and around which these market forces would operate. Markets ... had to be politically *reconstructed* (Peck, 1995: 25, original emphasis).

This chapter examines the transition from HIDB to HIE as part of a process of state restructuring under the Thatcher governments. It argues that this shift can only be understood within its broader political and strategic context. As the above quote indicates, Thatcherite reforms did not simply involve a rolling back of the state in order to advance the rule of the market (de-regulation). Rather, they are best understood as part of a process of *re-regulation* involving the creation of new institutions to promote and deliver Conservative policy. A range of non-elected local agencies, including TECs, LECs, NHS Trusts, and Housing Action Trusts (HATs) were established in the late 1980s and early 1990s, building on the earlier launch of UDCs and Enterprise Zones (Goodwin, 1992: 82-3). TECs and LECs, launched from 1988-1991, can be seen as key "institutional metaphors" of (late) Thatcherism, embodying many of the principles and contradictions of neo-liberal state restructuring (Chapter one, p.7-8) (Peck and Jones, 1995: 1364).

This chapter applies the conceptual framework developed in Chapter two. The establishment of unelected local agencies can be seen, from a regulationist perspective, as part of a process of regulatory experimentation as state elites search for a new 'institutional fix' to the problems of economic development in a global economy. By promoting 'flexibility' and innovation and by attempting to harness the enterprise and initiative of 'active citizens' within local communities, these unelected agencies formed part of a broader project to dismantle the corporatist structures of the 1960s and 1970s and address associated problems of 'dependency'. While this project had a direct impact on the local state in England and Wales, it was mediated in

Scotland by a distinct network of interests and institutions focused on the Scottish Office (Moore and Booth, 1989; Paterson, 1994). The shift from the HIDB to HIE is a product of the interaction between underlying forces of state transformation and the pre-existing structure of regional governance (centred on the HIDB and Scottish Office).

While the establishment of HIE in 1991 may appear to be the key moment of transformation, this chapter contends that the key changes in local and regional governance in the Highlands can be traced back to the early 1980s. These created the conditions for the establishment of HIE which was then able to develop and extend this pre-existing agenda in new directions. This argument is developed in four main sections. Section two outlines processes of state transformation under Thatcherism. The third section considers how the HIDB and SDA adjusted to these wider political changes. Section four examines the transition from the HIDB to HIE, outlining the key processes of LEC formation. The fifth section considers some of the effects of this restructuring process, tracing processes of internal re-organisation and identifying a crucial tension between local initiative and central control.

4.2. Transforming the State Regime: the Politics of Thatcherism

As a distinct political phenomena which dominated the 1980s, Thatcherism has received much academic attention (Gamble 1988; Jessop *et al.*, 1988; Hall 1988a, b; Marsh and Rhodes 1992; 1995; Marsh 1995; Hay, 1996a, b). This chapter follows critical analyses in viewing Thatcherism as a hegemonic project originating in the rejection of the assumptions and values of social democracy and the post-war consensus (Gamble, 1988; Jessop *et al.*, 1988; Hay 1996a). Although its ideological instincts were tempered by pragmatism, Thatcherism should be viewed as inherently strategic, and its impact gauged not in terms of discrete policy outcomes but according to its success in defining the political agenda (Hay 1996a: 128-30).

As a 'state project', Thatcherism sought to marginalise and exclude trade unions and local authorities from the privileged position they occupied under social

democracy whilst creating new channels of delivery to mobilise strategically significant sections of the population. In gaining state power in 1979, the Conservatives capitalised on the mounting economic and political difficulties of the 1970s, successfully 'narrating' the 1978-79 'winter of discontent' as a crisis caused by Fordist-Keynesian techniques of intervention (Hay, 1995; 1996b).¹ Before radical changes in the representational regime of the state could be introduced, however, the Conservatives were faced with the immediate task of political consolidation. Consequently, the period from 1979-85 was dominated by a struggle to assert political control over the institutions and structures inherited from the previous state regime.

One of the principal aims of Thatcherism was to limit public expenditure. According to the Thatcherite critique, state spending had burgeoned out of control as a result of the 'excessive' demands of organised labour and local authorities in the 1960s and 1970s. This diagnosis was rapidly translated into a 'new managerialism' in the early 1980s as the government sought to improve efficiency, economy and effectiveness within the public sector (Day and Klein, 1987: 37-44; Gray, 1997: 343-4). Accordingly, local authorities were required to publish information on spending and performance and subjected to increasingly stringent audit requirements. In this way, the 'enclosures' of professional groups in the public sector were breached by a new calculative technology associated with the rise of neo-liberal governmentalities (Rose and Miller, 1992: 198-201; Rose, 1996a: 54-56). These techniques depend upon the authority and apparent objectivity of the 'grey sciences' - disciplines such as accountancy, economics and management which have risen to prominence in the 1980s and 1990s (Rose, 1996a: 54). Beneath the apparent neutrality of these forms of technical expertise, however, 'target' groups claimed that managerial procedures functioned as instruments of a political agenda designed to cut spending and social provision.

A series of carefully designed reforms in the early 1980s succeeded in largely excluding organised labour from the state regime at a time when high unemployment was eroding the basis of trade union power (Gamble, 1988: 103-4, 115-17; Jessop *et al.*, 1988: 151). Local authorities, which had played a major role in underwriting

collective consumption under social democracy, formed the other main target for Conservative policy (Duncan and Goodwin, 1988; Stoker 1989; Goodwin 1992; Stoker and Mossberger 1995; Stewart and Stoker 1995; Goodwin and Painter 1996). The clash between government policy and the alternative strategies developed by radical Labour-controlled councils in the major metropolitan regions sparked a major politicisation of local-central relations (Duncan and Goodwin, 1988). Tight control of local government finance, coupled with the abolition of the metropolitan county councils in 1985, enabled the government to assert its agenda (Goodwin, 1992: 79-83; Stewart and Stoker, 1995). The net result of all these changes was to consolidate an 'undemocratic centralism' which increased the power of the central executive relative to Parliament, elected local government and interest groups (Jessop *et al.*, 1988: 82, 145-47, 175-77; Gamble, 1988: 128-33, 231-36).

Controlling inflation was the key initial priority of Conservative economic policy. After the abandonment of the Keynesian commitment to full employment, the period from 1979-82 was dominated by the struggle to impose a monetarist-inspired austerity programme (Gamble 1988: 102-10; Jessop *et al.*, 1988: 62-3). The impact of spending cuts and high unemployment provoked considerable opposition, and it took the "popular triumph" of the Falklands War in 1982 to bolster the authority of the state and create a space for the formulation and implementation of a more radical programme of economic and social restructuring (Gamble, 1988: 111, 119-20). After 1983 a more positive and contradictory accumulation strategy began to emerge as monetarist orthodoxy was relaxed and a more expansionist programme embraced.

In place of the techniques of national demand management privileged under Keynesianism, supply-side strategies were emphasised. The Conservatives sought to 'free' local factor markets from intervention by reducing trade union and local authority influence over the labour process, land markets and investment programmes (Chisholm, 1990: 123-30; Eisenschitz and Gough, 1993: 61-66). Increasingly, social policy was subordinated to the demands of economic competitiveness as wage bargaining was decentralised and entitlement to social security payments reduced (Jessop, 1994; Peck and Jones, 1995). Cuts in direct taxation aimed to increase work

incentives and, together with a range of related initiatives, promote 'entrepreneurship'. Deregulation and the privatisation of large segments of the public sector sought to enhance efficiency by re-asserting market disciplines (Jessop *et al.*, 1988: 169-71). These policies were designed and implemented within the context of an open economy. This not only reflected a restatement of the traditional British liberal commitment to free trade, it also signaled a privileging of the interests of the financial sector and international capital over domestic industry (Gamble, 1988: 225-7). Efforts to improve the 'flexibility' and competitiveness of local and regional economies increasingly came to focus on up-grading their technological capacity and creating a more skilled workforce (Chisholm, 1990). Consequently, training policy assumed greater significance as the 1980s wore on.

As a hegemonic project, Thatcherism sought to promote popular capitalism and the entrepreneurial society over the collectivist values of the post-war settlement (Jessop *et al.*, 1988: 169-71). This involved concerted efforts to dismantle the social and organisational bases of Labourism and social democracy. Rather than representing a functional response to a pre-formed business agenda, Thatcherism actively constructed business 'needs' through political discourse (Peck, 1995: 27). After deflationary policies provoked early opposition from sections of corporate capital, Thatcherism gradually gained the support of the business community as the programme of liberalisation and deregulation gained momentum (Gamble, 1988: 217; Peck, 1995: 21). Although the rhetoric of enterprise and self-reliance was important in channeling and mobilising popular support, the electoral success of Thatcherism after 1982 was crucially dependent on its capacity to offer material benefits through tax cuts, council house sales and the expansion of financial credit (Jessop *et al.*, 1988: 78-9). Given the weakness of a divided opposition, the strength of market-led recovery from 1982-88 in delivering economic prosperity for a privileged majority placed the Conservatives in a strong electoral position (Gamble, 1988: 188-20).

In the longer-term, however, the highly unequal impact of Thatcherism as a 'two-nation' strategy that sought to displace the costs of restructuring onto marginalised sections of the population limited its electoral appeal (Jessop *et*

al.,1988). Key social democratic norms of universal citizenship and full employment were rejected in favour of a rhetoric of enterprise, choice and self-reliance. This involved a "re-coding of dividing practices" as new divisions were drawn between affiliated and marginalised groups (Rose, 1996b: 340). Those groups thought capable of 'active citizenship' and privatised consumption were favoured and supported while those deemed incapable of self-management were actively stigmatised as undeserving and parasitic.

By the mid-1990s, it was clear that the Conservatives had presided over a period of profound structural transformation (Hay, 1996a: 107-8, 151). The corporatist structures inherited from social democracy had been dismantled as part of a broader agenda to smash the social and organisational bases of Labourism (see Jessop *et al.*, 1988). A series of unelected, business-led agencies had been established at the local level in the late 1980s and early 1990s to by-pass elected local authorities and organised labour. From a 'strategic-relational' perspective, the key role of local business elites points to the state's need to incorporate interest groups in processes of economic management (Jones, 1997a, 1998b: 982). By mobilising business, the Conservatives were able to expand the repertoire of techniques of intervention and channel rewards to a key part of their social base whose support was vital in the struggle against social democracy. Consequently, the outlines of a new 'post-corporatist' state were discernible, based upon a bipartite relationship between government and business as a new local-elitist mode of representation emerged to replace the old tripartism (Peck, 1992; 1995).² In Scotland, however, Thatcherism faced considerable resistance, not only from populist forces, but also from established institutional networks focused around the Scottish Office who saw it as their role to guard the institutional autonomy granted by the Treaty of Union (Paterson, 1994).

4.3. Adjusting to the Thatcherite Agenda: Economic Governance in Scotland, 1982-88

In the corporatist era, two state development agencies, the HIDB and the SDA, had been set up as a response to regional economic decline. They quickly became

incorporated into the Scottish institutional system, becoming symbols of its distinctiveness (Moore and Booth, 1989). In the 1980s their ability to adapt to the agenda of the Thatcher governments seemed to have secured the survival of the SDA and HIDB (Danson *et al.*, 1993). By 1988, however, the rise of 'radical' Thatcherism in a climate of rapid economic growth was exerting pressure for far-reaching institutional change in Scotland. In order to understand how the Scottish Enterprise (SE) and HIE networks emerged from this process of institutional restructuring, it is necessary to briefly outline the key features of the network of institutions and interests focused upon the Scottish Office before considering how the HIDB adapted to Thatcherism.

4.3.1 Defending Difference: Scottish Institutional Networks

History has dictated that the arrangements for governing the United Kingdom, a multinational state, reflect its territorial diversity. The Scottish Office, a territorially-defined department of central government, was established in 1885 and re-located from London to Edinburgh in 1939 in response to complaints about the inadequacy of existing institutional arrangements to address distinctively Scottish interests (Kellas, 1989: 30-3; Paterson, 1994: 62-3). From the 1930s onwards, the administrative system was professionalised and bureaucratised as successive governments sought to incorporate professional expertise into the state apparatus. According to Paterson (1994), this has provided Scotland with a ruling *technocracy*, with state authority exercised by groups of professional experts working through a dense network of institutions and agencies. After 1945, much of this activity took the form of managing the development of the Welfare State in Scotland. The lobbying of organised interests for extra resources from the centre was channelled through the Scottish Office, whose closeness to the policy networks and interest groups it had sponsored gave it representational legitimacy (Paterson, 1994: 109-17).

By the mid-1960s, economic development and planning was becoming an increasingly important activity as the Scottish Office promoted the notion of a distinctively Scottish economic interest (Paterson, 1994: 118-20). The protracted decline of the Scottish economy, with its basis in an integrated complex of basic

manufacturing and extractive industries, fostered a reliance on the state (Paterson, 1994: 117-23). By the 1980s, the Scottish economy was regulated by a dense network of regulatory institutions. As well as the Scottish Office, SDA and HIDB, these included the Scottish Trade Union Congress (STUC), CBI Scotland, the Scottish Council (Development and Industry), COSLA, the Scottish Federation of Small Businesses, Scottish Financial Enterprise, the Scottish Council for Voluntary Organisations, the Scottish Association of Chambers of Commerce, Locate in Scotland and Scottish Trade International (MacLeod, 1997a: 301-2; 1999: 9). The structures of regional (Highland) governance sketched in Chapter one (p.10-12) can be conceptualised as nested within this broader regulatory system.

According to Moore and Booth (1989), relations between Scottish institutions developed through a form of *negotiated order* as distinct groups came together to define a collective interest in managing change. This reflects a close relationship between institutions, associated interest groups and an underlying sense of identity which gives Scotland an administrative autonomy and scope for policy manoeuvre that the English regions lack (Moore and Booth, 1989: 15-6, 82-85, 147-9). Both Moore and Booth (1989: 19, 24) and MacLeod (1997a: 301-2) report respondents referring to these closely-textured institutional arrangements as the 'Scottish village'. Although the HIDB was very much part of this system by the early 1980s, its position on the Highland periphery left it marginal to many of the key networks.

While undoubtedly constituting a distinctive regulatory system, the 'Scottish village' did not function independently of central government. It had limited scope to pursue its own agenda, provided this did not conflict with the policies of central government (Moore and Booth, 1989: 25). The relative position of the various organisations and interests shifted in line with central agendas, so that the alliances forming around the Scottish Office were continually being fractured and re-assembled. The increasing exclusion of the STUC during the 1980s shows the influence of central ideology in structuring the representational regime of the Scottish 'village' (Moore and Booth, 1989: 86-104). In some ways, the impact of Thatcherism forced a defensive uniting of interests against this external threat. Scottish elites

lacked the capacity to form an alternative strategy, however, and individual institutions were ultimately forced to engineer their survival by adapting to the new political climate.

4.3.2 Restructuring the SDA and HIDB

There can be little doubt that the suspicion of the new Conservative government in 1979 towards corporatist institutions extended towards the HIDB and SDA (Danson *et al.*, 1990; 1993; MacLeod, 1999: 10). Consequently, they were immediately identified as key objects of regulation. While the government deployed the tools of the 'new managerialism' to regulate the activities of the HIDB as it strove to exert political control over the interventionist structures it inherited, these same tools were also deployed by the board itself as it sought to allocate resources efficiently across a range of programmes.³ As part of its efforts to engineer its survival, the HIDB re-packaged its radical-sounding Community Cooperative Scheme:

It started off as the Community Cooperative Project or Programme and we kind of changed that to the Community Enterprise Programme ... It was about the time of the change of government and it seemed more in tune with the ... acceptable terminology, and we're not averse to ... dressing up in the appropriate clothes.⁴

The 1981-7 period saw the SDA and HIDB gradually adapt to the market-led paradigm of economic development as they moved away from interventionism to adopt an increasingly commercialised profile (Danson, *et al.*, 1990, 1993). As chapter three highlighted, the HIDB was in a state of crisis by early 1982. While there is clearly a sense in which the government expected the HIDB to adapt to its agenda, the board was not a passive recipient of central directives. Rather, it actively used elements of the new policy agenda to re-focus its strategic priorities and re-cast its 'official discourse'.

Apart from its role as the key funding source, the principal means by which the government could exert political influence over public agencies like the HIDB was through its power to appoint board members. The representational regimes of the HIDB and SDA were restructured during the early 1980s as the government increased the number of business leaders on their respective boards (Scottish Office, 1985; Moore and Booth, 1989: 28; MacLeod, 1999: 10). The organisational cultures of both

agencies were transformed by the introduction of private sector practices such as performance-related pay (Moore and Booth, 1989: 69).⁵ Individuals such as George Matthewson, the new SDA Chief Executive, and Robert Cowan, the new HIDB Chairman (appointed in 1982), a former Hong Kong merchant banker, seem to have been recruited as *change-agents* to bring in a more commercial approach. According to one former HIDB board member, appointed in 1987:

Certainly it looked as if [x] and I had been brought in to give the place a bit of a shake again as outsiders if you like, people with different backgrounds, and we were certainly given the remit to make sure it didn't get too cosy ... They'd already been, before I got there, the big change which was from saying this was a super-experimental organisation to saying that this has got to be an agency that delivers and is measured on what it delivers ... I think Bob Cowan was brought in to do that.⁶

This represents a clear statement from a well-positioned source that key changes took place in the early 1980s, pre-dating the introduction of HIE by almost a decade. From 1982-83, HIDB Reports became increasingly coloured by the rhetoric of the 'enterprise culture' as the rather utilitarian style of its earlier Reports was replaced by the glossy brochures characteristic of development agency literature in the 1980s and 1990s. The adoption of a rhetoric of 'efficiency' and 'value-for-money' provides insights into the Board's struggle to survive in the face of government suspicion:

We have been striving to improve efficiency and effectiveness. Many small cases are processed promptly and under powers delegated to staff. In the total investment, the ratio of private investment to our contribution continues to grow ... representing better value for HIDB money (HIDB, *21st Report* 1986: foreword).

This quote indicates that the Board perceived itself to be under considerable political pressure to emphasise government priorities. The "continual squeeze on efficiency" was one manifestation of these pressures.⁷

In terms of strategy, the HIDB and SDA seem to have enjoyed greater autonomy. The limited scope of Scottish institutions to pursue their own strategic priorities extended into the 1980s with consensually-minded ministers like George Younger, Scottish Secretary from 1979-86, willing to support initiatives that did not conflict with government policy. It is important to recognise that while the government could monitor such initiatives through its direct powers over the board, it also depended upon the accumulated local knowledge and experience of agencies like the HIDB to deliver credible responses to particular local issues and problems. In

order to retain the legitimacy and authority of the state, government is forced to work through established local and regional institutions.

As the marginal location of the Highlands militated against a concentration on large-scale inward investment in the changed economic conditions of the 1980s, the HIDB adjusted its strategic priorities, moving further away from the industrial modernisation of the 1960s and 1970s. It sought to stimulate local entrepreneurial capacities by encouraging the development of small businesses and the exploitation of local resources. The Board's re-launched strategy focused on the need for economic diversification in peripheral areas while continuing to pledge support for traditional industries (HIDB, *17th Report*, 1982). The HIDB's relative strategic autonomy allowed it to extend its network of local area offices and strengthen its support for community development and the Gaelic language. Increasingly, the HIDB viewed 'community action' as an important foundation for economic development because of its role in increasing confidence and skills (HIDB, *18th Report*, 1983: 28).

The shift away from large-scale investments towards more 'endogenous', 'bottom-up' forms of development allowed the HIDB to recover credibility after the difficulties of the early 1980s. By removing a key source of criticism after a succession of high-profile failures in the 1970s and by encouraging local 'solutions', the Board was able to restore some of its damaged reputation:

My personal view is that the HIDB was getting much better towards the end of its life. Before it had been involved in a lot of big investments which didn't come off ... but latterly there were signs that it was becoming more interested in development from within ... supporting local resources and businesses.⁸

Together with the enhanced role of local area offices and its increased support for cultural initiatives, this increased interest in 'local' development signalled that the HIDB was becoming more accessible and 'user-friendly'. The combination of a detailed knowledge of local conditions and the HIDB's formal resources as part of the state apparatus enabled it to balance the demands of government paymasters with those of local communities. The impact of Thatcherism on the Highlands was crucially mediated by pre-existing institutional forms, with the HIDB able to ensure that local priorities were not subordinated to the dictates of an externally-derived

political agenda.

The SDA and HIDB were subject to a series of stringent government reviews during the 1980s. While these reflected the perceived need to assert political control over the agencies, there was clearly an underlying recognition that outright abolition, in many ways the logical consequence of Thatcherite ideology, would be politically damaging (Moore and Booth, 1989: 111; MacLeod, 1999: 10). Indeed, despite the general squeeze on public spending, established funding levels were maintained.⁹ The joint Scottish Office - Treasury review of 1987 concluded that, though the Board had had a "positive impact on the confidence and entrepreneurial spirit" of the Highlands, the general rationale for public intervention remained since an "irreversible improvement in economic and social conditions" had not yet been secured (IDS, 1987: 112, 119). The official view that the HIDB's role was one of correcting market failure implied that it should concentrate on services that the market could not provide, seeking to support rather than displace commercial actors in the longer-term. For much of the 1980s, official recognition that any talk of abolition would spark a storm of political protest was enough to contain proposals for radical reform from the ideological fringes of the Conservative Party. Yet major changes in the organisational practices and discourses of the HIDB had taken place in the early-to-mid 1980s as it adapted to Conservative policy (Danson *et al.*, 1990), establishing a basis for further reform:

I think the big change happened ... between Bob[Cowan]'s arrival and the time I got there [1987] there was ... another sort of consolidation if you like when people were coming in, and I think then you got a structure ... that HIE ... could be built on.¹⁰

After the 1987 election, circumstances changed as rapid economic growth and falling unemployment encouraged more radical reform.

4.4 Establishing the Enterprise Networks in Scotland

By 1988 rapid growth was stoking government rhetoric about the British 'economic miracle' (Evans, 1992: 132; Peck, 1993: 290). This formed the context for the introduction of Employment Training, a new adult training programme based firmly upon neo-liberal principles (King, 1993: 225). Previously, the government had

been forced to use the Manpower Services Commission (MSC) to manage the unemployment crisis of the early 1980s (Evans, 1992: 49-89). Whilst the Conservatives were able to mould the MSC to their distinctive policy agenda, its tripartite regime was retained, largely because the involvement of organised labour through the Trade Union Congress (TUC) played an important role in legitimating government policy (Evans, 1992: 53-6).

Employment Training was linked to welfare policy as the 1988 and 1989 Social Security Acts made eligibility for benefits dependent on applicants' willingness to participate in training schemes (King, 1993: 227-29; Jones, 1996a: 143).¹¹ The resistance this provoked from organised labour created the political space for radical change to the institutional architecture of training and economic development policy (Jones, 1997a).¹² Trade union opposition was rooted in concerns about compulsion leading to the introduction of workfare, together with the proposal that participants would receive only their state benefits plus an extra £10 a week (Evans, 1992: 112-19; King, 1993: 225-30). This fracturing of the existing representational regime gave the government the opportunity it needed to announce major changes to the system (Jones, 1997a). In response to the TUC's decision not to participate, the Employment Secretary, Norman Fowler, announced in September 1988 that the Training Commission would be abolished in favour of a new Training Agency with immediate effect (Evans, 1992: 116-19; King, 1993: 227). This ended the tripartite system of representation as the new Training Agency was established as an executive agency of the Department of Employment. At the same time, however, the collapse of tripartism encouraged further interest in local employer-led agencies.

The 1987 manifesto commitment to reform training policy accelerated the search for more radical solutions. In particular, it reinforced interest in the experience of the American Private Industry Councils (PICs), local business-led bodies charged with delivering economic development, as Fowler and officials from the Department of Employment made a number of trips to Boston to study the practices of the Massachusetts PIC (Evans, 1992: 127-8; Bennett *et al.*, 1994: 58; Jones, 1997a). At the same time, the proposals of a leading Scottish entrepreneur, Bill Hughes, then

chairman of the Scottish CBI and a leading light in the Scottish Conservative Party, to create local employer-led agencies to take over the role of the SDA, attracted high-level government attention (Moore 1989; Jones, 1997a). The 'Hughes Initiative' was attractive to Scottish ministers to the extent that it enabled them to address the political perception that the Conservatives could never 'own' the SDA and HIDB because of these agencies' corporatist origins and structure (Moore, 1989; MacLeod, 1999: 14-19). Following meetings at Chequers in September 1988, the Prime Minister 'bought' the radical PIC model (Jones, 1997a).

Following the Cabinet agreement to opt for local employer-led agencies, separate white papers were drawn up for England and Wales and Scotland, reflecting their distinct institutional arrangements. The December 1988 White Paper, *Employment for the 1990s*, introduced TECs as the core of the new approach in England and Wales (Department of Employment, 1988). The intention was to set up a network of some 80-100 employer-led TECs to take over responsibility for training and enterprise development (Peck, 1992, 1993; Bennett *et al.*, 1994). In many ways, the move towards local training agencies represented the logical culmination of a supply-side policy that had run up against limited labour productivity and a lack of skills as fundamental barriers to local competitiveness.¹³ Beginning from the assumption that government policy had provided economic prosperity, the White Paper drew on a discourse of globalisation and technological change to proclaim the need for a 'skills revolution' in order to match competitors (Jones, 1997a). Given the expected tightening of the labour market, due to falling unemployment and demographic changes, TECs signaled a shift away from schemes for the unemployed towards a focus on improving the skills of those in work (Department of Employment, 1988). Of central importance was to be TECs capacity to match the delivery of training to local circumstances, an emphasis that reflected the supply-side orientation of government policy, with its concern to encourage labour-market flexibility (Evans, 1992: 134-47). This was accompanied by a rhetoric of local 'empowerment' where it was argued that decentralisation would allow local business leaders, working closely with other agents, to build local capacity and thereby overcome the legacy of failed centralist solutions (Bennett *et al.*, 1994: 1-2, 25-9).

The December 1988 Scottish Office White Paper, '*Scottish Enterprise: A New Approach to Training and Enterprise Creation*', applied the principles agreed by the Cabinet to the Scottish context (IDS, 1988). Specifically, the proposals consisted of three main elements. First, training and economic development, previously the preserve of separate agencies, the Training Agency and the SDA/ HIDB respectively, were to be integrated. Second, the role of the private sector was to be greatly expanded:

A way has to be found of encouraging the private sector to take more responsibility. Decentralisation to the local level will help, but to achieve greater private sector involvement ... a shift is required from a bureaucratic system within which the private sector has a purely advisory role to one which is led by the private sector. The private sector can best be brought to centre-stage by giving real responsibility to a strong, employer-based body. At its most effective such a delivery mechanism should emerge as a powerful agent of change with the capacity to galvanise employers and influence local development. (IDS, 1988: 9-10).

Accordingly, the White Paper and the subsequent legislation required that two-thirds of the places on the boards of the new agencies were filled by employers (IDS, 1988: 15). State restructuring was thus channelled through particular forms of strategic selectivity that privileged the interests and agendas of local business elites. The emerging pattern of representation reflected the political imperative of mobilising and rewarding those groups that made up the social base of Thatcherism. Members of LEC boards are appointed as individuals, on the basis of their particular experience or knowledge, rather than as representatives of any established interest or organisation (IDS, 1988: 11-12; *Enterprise and New Towns (Scotland) Act 1990*).

Third, business leadership was to be linked to 'local empowerment' in that the establishment of local agencies directed by business elites would ensure the 'flexibility' and 'responsiveness' of the new system (IDS, 1988). This localist rhetoric was located within a broader discourse of active citizenship and community responsibility. It reflects a shift away from the welfarism and social government of the 1960s and 1970s in favour a new process of 'governing through community' (Rose, 1996a, b). Discourses of community were mobilised in response to criticisms about the uncaring nature of government policy based on an amoral market individualism (Kearns, 1995: Peck 1995: 30-1). 'Community' was privileged as government sought to harness and mobilise the networks of mutual obligation and moral responsibility

binding individuals together (Rose, 1996b). Local employers working to set up LECs in their areas were advised to work in partnership with the local community to maximise their chances of being awarded the operating contract (IDS, 1989: 6). The alternative morality created by discourses of community and citizenship, based on individuals taking on responsibility for their own lives within relations of mutual obligation, became a key strand of 'radical' and 'late' Thatcherism (Kearns, 1995: Peck 1995; Rose, 1996b). It established new lines of inclusion and exclusion: supporting those capable of active choice and self-reliance while re-coding impoverished groups such as the unemployed as the authors of their own misfortunes (Rose, 1996b).

The origins of the 'Hughes Initiative' within Scottish elite networks meant that key proposals in the subsequent White Paper generated considerable consensus. Given the underlying rejection of Thatcherism in Scotland, a failure to recognise its distinctive institutional arrangements by imposing the same measures proposed for England and Wales (TECs) would have been likely to provoke opposition. In the event, the integration of training and economic development and the decentralisation to local agencies received the support of key interests (STUC, 1994; COSLA, 1994), allowing the Scottish Secretary, Malcolm Rifkind, to claim "enormous support" for the proposals (*Hansard*, 9.6.1990). The requirement for the private sector to have a two-thirds majority on LEC boards, however, sparked often bitter controversy as trade unions, local authorities and the voluntary sector contested their marginalisation within the new representational regime (Moore, 1989; Danson, *et al.*, 1989; see also Scottish Affairs Committee, 1995).

The White Paper noted the continuing distinctiveness of the Highlands, stating that while general policy principles would be applied, delivery mechanisms would need to be adapted to the special circumstances of the region (IDS, 1988). In its response, the HIDB expressed broad support for the government's proposals (HIDB, 1989). However, it counselled a more evolutionary approach to the establishment of local agencies, arguing that it had already addressed this concern through the creation and expansion of its network of area offices. The Board's desire to control the pace and direction of change reflected a concern that external political pressures would

impose inappropriate measures:

It was widely felt that although it was an understandable prescription for the Central Belt ... It didn't really take account sufficiently of the differences between SDA and HIDB and that therefore in a sense HIE was going to be formed on a somewhat false set of assumptions.¹⁴

The HIDB soon realised, however, the strength of the government's political will to restructure the institutional architecture of intervention in Scotland, and decided to campaign for the retention of a separate agency for the Highlands and Islands. After a brief period of consultation, symptomatic of neo-liberal 'fast' policy (Jessop 1995b; MacLeod, 1999: 12), the government announced in July 1989 that it had decided to set up two new bodies, Scottish Enterprise to replace the SDA, and HIE to replace the HIDB (*Hansard* 26.7.1989). Each would be made up of a network of LECs and a central strategic core.

Initially, the HIDB suggested setting up seven local agencies, which it termed Local Enterprise Boards, based upon the three island groups and a simple fourfold division of the mainland (HIDB, 1989). The Scottish Office feared, however, that these (geographically) large areas would conflict with the principle of local delivery (Bennett *et al.*, 1994: 44-5).¹⁵ It thus produced a map of 8 prospective LEC areas to act as a guide for groups of business people forming bids for the right to run LECs (Fig 4.1) (IDS, 1989). This strong degree of central direction contrasted with the situation in England and Wales where TEC units emerged in a more 'bottom-up' fashion as business groupings came together to form bids (Bennett *et al.*, 1994: 40-43, 77-80). The Scottish Office map was subject to marginal adjustment in response to local pressures, creating the eventual structure of ten LECs (Fig 1.1, compare Fig 4.1). As a result of local pressure, Skye and Lochalsh gained its own LEC having originally been grouped with Lochaber.¹⁶ The other major change involved the creation of a single LEC linking Badenoch and Strathspey with Moray. This again reflected the constitutive role of local politics after the Scottish Office recognised the strength of opposition to its initial plans to incorporate each of these areas within larger territorial units:

The reason why the LEC was set up in the first place, I mean it's a bit strange ... Badenoch and Strathspey did not want to be with Inverness and Moray did not want to be part of Grampian ... Aberdeen orientated, so they both didn't belong anywhere else and decided to come together and form a LEC of their own ... They got together and signed it and put in a bid of course as all the other LECs did for funding ... To a lot of people it was a surprise ... that they agreed to set it

up in the first place.¹⁷

The integration of two distinct areas which had previously been administered separately created an anomalous structure, reflected in the fact that Moray, Badenoch and Strathspey Enterprise (MBSE) contracts with both parent bodies.¹⁸

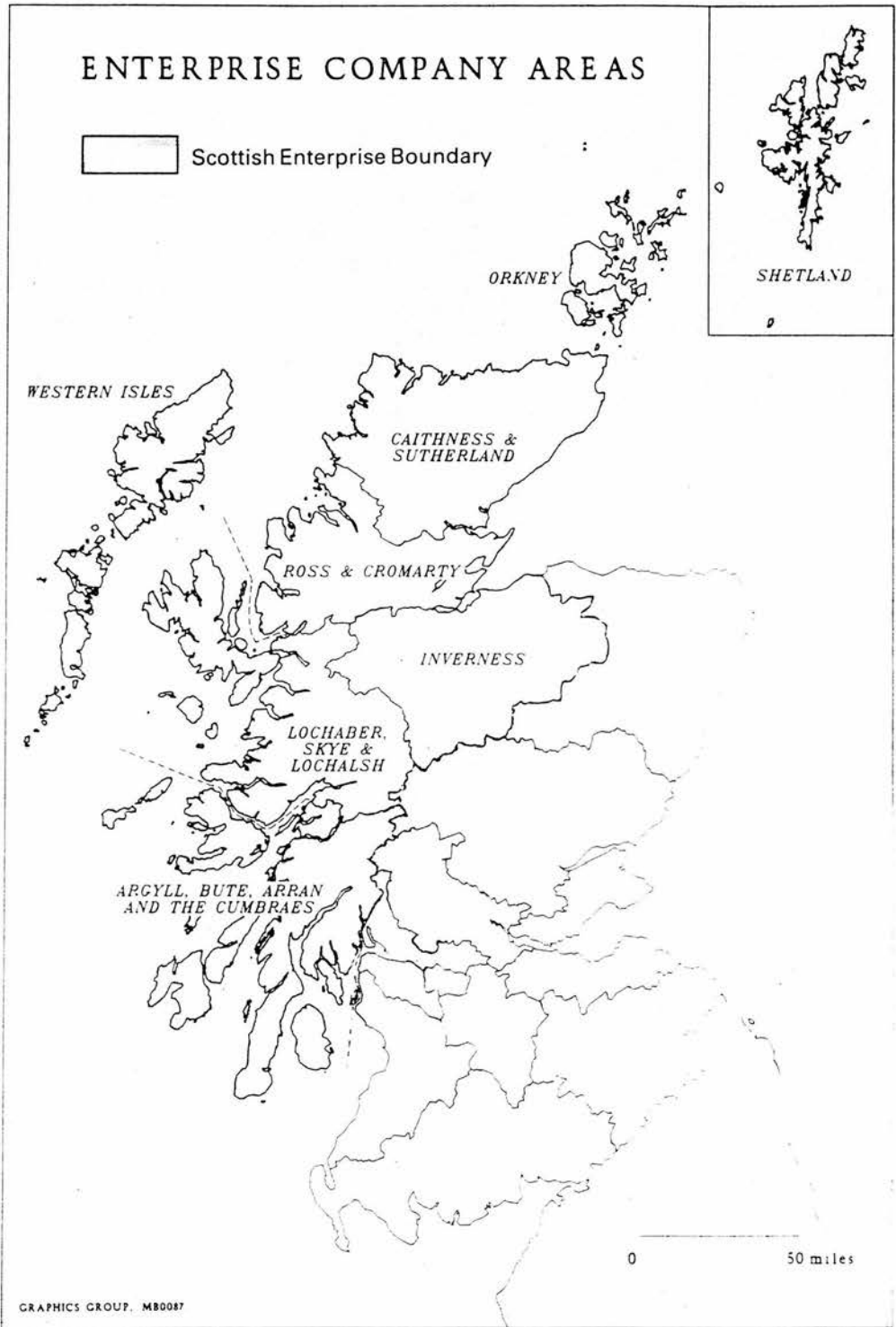
In other cases, however, local proposals to change the prospective map were rejected by the Scottish Office. Most significantly, the mid-Highland bid, a proposal to set up a LEC encompassing the entire Inner Moray Firth area (Easter Ross, Inverness, Nairn and Moray), the economic heartland of the region, lost out to separate bids for Inverness and Nairn, Ross and Cromarty and Moray, Badenoch and Strathspey (Fig 4.1). Whilst the two changes that were accepted were relatively marginal, this proposal was more far-reaching. It appears to have been rejected because it clashed with underlying objectives. The industrial power of a mid-Highland LEC would have created an imbalance, leading to 'horizontal' tensions with smaller LECs in the periphery and potential 'vertical' tensions with the HIE core given the prospect of it developing into a rival centre.¹⁹ Moreover, the involvement of leading figures from Highland Regional Council thought to be hostile to the HIDB further reduced its prospects given that LECs were designed to by-pass local authorities.²⁰

The government's neo-liberal rhetoric envisaged LECs being formed by a market-driven process as groups of local business-people competed for development funding. In line with this vision, LECs were, like TECs, legally constituted as private companies limited by guarantee. Rather than reflecting a spontaneous up-welling of entrepreneurial energy, however, the preparation of initial business plans and formation of LEC boards owed much to the directive role of the Scottish Office, channelled through the HIDB:

Highland Board members toured around the Highlands and Islands, explained what the Scottish Office was trying to achieve, and encouraged local leaders of industry, business, whatever, to come together if they wanted to form Local Enterprise Companies. There was limited funding available to assist companies to prepare bids and strategies and ultimately all of those contenders presented their proposals to a small panel.²¹

Recruiting local business leaders was clearly crucial to the credibility of the TEC- LEC initiative; the mobilising rhetoric of local autonomy and flexibility seems to have been deployed for this reason. The prospectuses and promotional material produced by the

Figure 4.1 Prospective LEC Areas, 1989



ENTERPRISE COMPANY AREAS
(the names shown are illustrative)

Area	Covering
Orkney	Orkney Islands
Shetland	Shetland Islands
Western Isles	Western Isles
Argyll, Bute, Arran and the Cumbraes	Argyll and Bute District with Arran and the Cumbraes
Lochaber, Skye and Lochalsh	Lochaber and Skye and Lochalsh Districts
Caithness and Sutherland	Caithness and Sutherland Districts
Ross and Cromarty	Ross and Cromarty District
Inverness	Badenoch and Strathspey, Inverness and Nairn Districts and part of Moray

Scottish Office in the autumn of 1989 invited business to "play a vital part in stimulating enterprise creation and training in your locality" (IDS, 1989: 10). In this way, the contributions and needs of business were discursively constructed through the production and circulation of a promotional literature. To the surprise of many observers, these efforts secured adequate levels of mobilisation as business representatives and community leaders came together to bid for development funding.²² Bids had to be submitted by early December 1989 and decisions were announced in March/April 1990, leaving successful groups a year to prepare business plans and operating programmes for the April 1991 start date.²³

One effect of the historic weakness of business representation in the Highlands was that there was little real competition for the right to run LECs. Only in the Inner Moray Firth area, where the mid-Highland bid clashed with proposals to create three separate LECs, and the Western Isles and Argyll where rival groups were formed to submit bids,²⁴ was there an element of competition. The fact that there was also a lack of competition in lowland areas with a much stronger tradition of business activism (MacLeod, 1999: 13-4), suggests that neo-liberal discourses were engendering unrealistic expectations. In general, local groups recognised the inevitability of change and acted to ensure that their local area was represented in the new structure:

Our view at the time I think was really that irrespective of you know of whether we thought the principle of LECs was good, bad or indifferent, they were clearly going to happen whatever we or anyone else said or did, and that if they were going to happen we should have one of our own.²⁵

This suggests that rather than responding to local demand, local 'movers and shakers' were being mobilised in response to an externally-derived political agenda. Such comments provide empirical support for Peck's argument that the "business localism" around which the state was re-constituted is very much a centrally-orchestrated localism (Peck, 1995). The business leadership of LECs depends upon the support and direction of the central state.

For HIDB staff, the changes had a huge impact on the structures within which they worked. While HIDB strategy in the 1980s under Cowan promoted local decentralisation, this gradual internal process was superseded and overtaken by the

government's agenda:

HIDB was going that way anyway ... there was beginning to be a head of steam for local delivery anyway ... Bob Cowan ... had not only continually beefed up these area offices, but he had also started to re-organise teams within this building along geographic boundaries ... So we were going that way anyway, but it would have taken us another ten or fifteen years, it would have been a very slow process of devolution, instead what we had was a single large externally imposed revolution which pulled over half the staff out overnight from this building and put them into area offices and called them LECs in a different technical structure.²⁶

This metaphorical contrast between external revolution and internal devolution presents a powerful image of external forces imposing change, "pulling" out staff from the centre to create a new structure. It emphasises the establishment of LECs as the major change confronting HIDB personnel, suggesting that the promotion of business practices and rhetoric had rather less of an impact since the board had already embraced this key aspect of Conservative policy.²⁷ In introducing a newly localised geography of regulation, the rapid shift from the HIDB to LECs reflects the broader re-scaling of the state. In effect this involved the creation of new scales of governance²⁸ as new organisational units (LECs) were established to co-ordinate processes of economic development (*cf.* Swyngedouw, 1997; Brenner, 1998; MacLeod and Goodwin, 1998, 1999). While LECs were to varying extents based on pre-existing administrative units and pre-constituted local identities, their role within wider accumulation strategies and hegemonic projects meant that they nonetheless re-ordered and transformed established modes of institutional intervention, applying themes like entrepreneurialism, competitiveness, and efficiency to distinctive local conditions.

The perception that the HIDB had matured into an effective and approachable organisation meant that there was little demand from within the region for change (see quote on p.95) (Shucksmith *et al.*, 1996: 220-21). Although the HIDB was established as part of a broader national programme of modernisation and regional planning in the mid-1960s, the idea of a regional development authority had deep roots within regional society (Chapter three). This ensured continuing support for the principle of the HIDB, though specific policies and practices attracted heavy criticism. For 'external' observers of the transition to HIE, the principles upon which the new structure was based took little account of locally-embedded norms and practices:

I think that's just when it was beginning to work ... just before the change to HIE, it was a great

*pity, the HIDB was just starting to become user-friendly and then there was this sudden wipe-out ... It was all change and in came this shiny new enterprise culture which doesn't really relate to the way things are done in the Highlands ... it's quite alien like that.*²⁹

For this critic, then, the 'enterprise culture' which LECs were expected to nurture and develop was not 'indigenous' to the region. The quote implies that the establishment of the HIE network owes more to national political priorities than any local demand for change.

Although prospective LEC boards were expected to work with the local community, the business planning and bidding process was led by business representatives and HIDB/ Training Agency staff. In most areas, business plans and economic audits were compiled by staff seconded from the HIDB and Training Agency, though business-people had input through steering groups. While the main form of community involvement was through public meetings, these were often unable to allay underlying suspicions of the LEC initiative:

*We held many public meetings in all the main places ... but everyone was very apprehensive, what was this thing, there was no enthusiasm ... After a lot of discussion we sought nominations from the floor for the steering group that was going to take it forward ... that went right through the public and public meetings, but there was still a lot of criticism, who are they, what are they doing, that sort of thing.*³⁰

One source of unease concerned potential conflicts of interest raised by a system based on local business representatives making decisions about the allocation of public resources among a wider population of businesses.³¹ Many observers feared that this would allow LEC directors the scope to bend the rules in order to channel funds towards their own businesses.

While HIE (the strategic core), based in Inverness, is a statutory public body, LECs are private companies limited by guarantee. As the local delivery mechanisms chosen by the Scottish Office, LECs are contracted to deliver a set of services for HIE on an annual basis. This structure is based on market analogies as LECs were expected to compete with one another for HIE funds on the basis of performance and efficiency. On another level, the expectation was that other groups of business-people dissatisfied with aspects of LEC performance would be able to form rival bids to take over the operating contract. Such forms of 'institutional Darwinism' (Jessop *et al.*, 1988; Jessop, 1994; Peck and Jones, 1995: 1374-5) were actively fostered and

promoted by the Thatcherite state project as organisations were forced to compete for funds in order to survive. This raises questions about the capacity of individual organisations to moderate and contain the impact of competitive forces which are, in turn, related to the broader issue of their scope to adapt and 'translate' central imperatives.

Another consequence of LECs status as private companies limited by guarantee is that they are legally required to select their own boards. In contrast, directors of HIE are appointed by the Secretary of State under specified terms and conditions.³² Although few appreciated the legal intricacies of the structure, the self-perpetuating nature of LECs represented another source of public unease and suspicion. Criticisms of LECs as unrepresentative cliques reinforced those based on concerns about a system involving local business-people allocating grants to other local businesses.³³ These concerns have fuelled on-going debates on the relative 'openness' and 'accountability' of the enterprise networks in Scotland (Chapter seven). Critics noted that the overwhelming focus on financial accountability to central government meant that the system failed to incorporate any concept of LECs being accountable to the communities they served (Danson *et al.*, 1989; 1990; 1993; Fairley 1992a). In addition, there were concerns that the new representational regime ignored the pragmatic Scottish tradition of harmonious public-private partnership (Fairley, 1992b).

In 1988-89 the Thatcher government capitalised on propitious circumstances to dismantle inherited state forms in favour of new institutional arrangements modelled on neo-liberal principles. As formally-autonomous agencies contracted to deliver services of behalf of the central state, TECs and LECs are based upon two key elements: the empowerment of business elites and local decentralisation. The privileging of business as a key part of the social base of the Thatcherite state was balanced by the marginalisation of organised labour and local authorities. While established institutional networks mediated the impact of reform in Scotland, they were unable to prevent a radical restructuring of the representational regime of the local state. Although the rise of 'business localism' was strongly orchestrated by the

central state, the expectations created by the mobilising rhetoric of local autonomy and flexibility set up tensions between local business representatives and state managers.

4.5. Organisational Structures and Business Representation

While the establishment of LECs seemed to herald major changes in the practice of development in the Highlands, the HIDB's earlier adaptation to the business ethos of development policy in the 1980s provided a source of continuity:

I mean Bob Cowan would always have claimed I think that the way he went about leading HIE was essentially a private sector way ... It's just I think that HIE has ... articulated it maybe more ... shrilly and also that you've also got more business people visible if you like on the board and appointed to the board to say that sort of thing ... I think to suggest there was... a significant fracture between the two [the HIDB and HIE] structurally or organisational managerially is wrong, there was much more continuity there.³⁴

Rather than reflecting a substantive break with previous policy, this exaggerated rhetoric of business leadership stemmed from pressures to define the identity and assert the authority of HIE as a new organisation formed as part of a broader process of state restructuring. It also reflects changes in the representational regime as private sector entrepreneurs took up their places on LEC boards. In many respects, the crucial change stemmed from the establishment of ten LECs with which the HIE core had to develop effective relationships. The mobilising rhetoric of business leadership and local initiative structured the expectations of prospective board members who anticipated having the scope to devise 'local solutions to local problems' without interference from the state. Such expectations clashed with established modes of state organisation. This section traces how these internal structures were adjusted in response as a prelude to Chapter five's analysis of how the underlying tension between local initiative and central control has been worked out within the HIE Network since 1991.

In terms of its substantive activities, HIE is responsible for business development, adult and youth training, property provision, environmental renewal and community development. It is far more orientated towards business development than the English and Welsh TECs which are overwhelmingly concerned with the local delivery of national training programmes. Financial assistance is largely provided

through the traditional grant and loan mechanisms, re-packaged in the more market-friendly guise of the Finance for Business (FFB) programme. HIE's powers for social development, inherited from the HIDB, are unique, not being part of SE's remit. They are operationalised through a programme of Community Action Grants (CAGs). Additional responsibilities for training and environmental renewal were taken on from the Training Agency and SDA respectively. Table 4.1 shows the balance of funding across the main programme areas at three points in the network's development. Four main areas of activity stand out: the provision of grants and loans through the FFB programme; training, involving mainly nationally designed schemes for school leavers and the adult unemployed; the provision of industrial and commercial property; and developing marketing initiatives and major strategic projects.

Table 4.1. Funding by Main Programmes

	1991-2	1993-4	1996-7
Finance for Business	£16.3m	£17.1m	£14.6m
Property	£8.0m	£11.2m	£11.7m
Marketing and Projects	£12.1m	£13.3m	£11.8m
Environmental Renewal	£4.9m	£5.3m	£4.7m
Training	£19.0m	£20.1m	£19.2m
Community Action	£1.1m	£1.2m	£1.2m
Management	£10.7m	£10.5m	£10.5m
Taxes	n/a	£0.6m	£1.2m
Total	£72.1m	£79m	£74.9m

Source: HIE, *First Report: 4; Third Report: 3; Sixth Report: 3.*

The inheritance of a pre-existing set of functions from the HIDB suggests that LECs were incorporated into an established organisational system. This impression is reinforced by the direct inheritance of a funding system based on seven main blocks, from the HIDB and Training Agency.³⁵ Block one covers the main development programmes including FFB, Property and Projects and it normally accounts for a high proportion of the overall budget of a LEC (over 50 per cent). Block two is made up of

the small-scale 'enterprise' programmes inherited from the Training Agency (Business Start-up and Business Enterprise Training). Block three contains the environmental renewal funding while blocks four and five provide funding for adult and youth training. This leaves blocks six and seven which cover CAGs and wages and operating costs respectively (SALE, *Business Plan*, 1991-2).³⁶

HIE also inherited an organisational structure based upon functional divisions between key sectors and operational areas (industry, natural resources, tourism, training, etc.) from the HIDB. Integrating training and economic development proved more difficult in practice, however, particularly at the LEC level, than the official rhetoric surrounding the HIE launch implied:

It was two very diverse cultures meeting at the outset, the Training Agency ... was quite mainstream civil service and fairly bureaucratic and disciplined by the rule book ... whereas the HIDB was a more flexible organisation, not bound within the confines of civil service rules and procedures and certainly a bit more pro-active.³⁷

There was certainly a strong sense in which the introduction of LECs had little real impact on training, with the same programmes being administered by the same (ex-Training Agency) state managers, leaving little scope for private sector input through LEC directors.³⁸ Over time, however, LECs have re-organised their internal structures in an effort to increase integration by encouraging communication and cooperation between operational teams. The rhetoric surrounding these changes centres on the need to provide a service that is closer to what the 'customer' needs than what is convenient for public agencies to provide.³⁹ Following an official review, HIE's internal structure was re-organised in November 1993.⁴⁰ The new structure based on three main operational divisions⁴¹ was designed to increase inter-working between divisions, breaking down established divides and rivalries in an effort to improve internal communication and flexibility.⁴² It also sought to reflect the key functions retained by the HIE core following the accelerated decentralisation of resources to LECs in 1992-3.⁴³ In sum, these changes seem to reflect managerial efforts to remodel public services on (imagined) private sector norms of efficiency and flexibility rather more than they reflect the immediate demands of private entrepreneurs on LEC boards.

Although the emphasis on local decentralisation received considerable support, many expressed concern that this would erode existing strategic capacities (Danson *et al.*, 1989; 1990; 1993; Moore 1989; Danson and Lloyd 1991; Fairley 1992a; Lloyd and Black 1993). Critics anticipated a process of institutional fragmentation as resources were transferred to the local level, leading ultimately to duplication and competition as LECs introduced similar initiatives and sought to attract investment. In this sense, decentralisation would reduce the capacity to formulate and implement long-term strategies addressing entrenched social and economic problems.

In the event, the first year of the HIE Network saw resources retained at the centre before an accelerated process of decentralisation in the second year (1992/93). As a result, 80 per cent of the budget is spent by LECs in the delivery of the main programmes leaving the central core responsible for developing broader pan-Highland projects, setting the strategic framework within which LECs operate, and monitoring LEC performance against specific targets. This does not necessarily signify, however, an equivalent transfer of power and influence to the local level. For the decentralisation of resources raises more fundamental questions about where the policies framing and informing these allocative decisions are designed (Stewart, 1995). While non-elected local agencies like LECs act as agents of the centre in adapting the delivery of government policy to local conditions, this role also exposes them to local political influences.⁴⁴ The establishment of TECs and LECs was not without risks for the government, containing the potential to unleash forces beyond its control if local business representatives were to 'go native' and criticise policy (Peck, 1992).⁴⁵ In this way, the Conservatives could become the victims of their own ideology. Consequently, LECs became 'objects' of regulation as state managers in the Scottish Office and HIE monitored and ordered their activities in an effort to contain potential tensions. The adjustments of organisational structures outlined above can be interpreted in this light, as measures designed to incorporate LECs within established procedures and mechanisms.

Building a relationship with autonomous LECs represented a key challenge for the HIE core, demanding a change in organisational culture away from the

relatively centralised style and approach of the HIDB.⁴⁶ As demonstrated above, internal structures were adjusted to accommodate these demands as the network developed. Beneath this, however, there were substantial continuities in terms of personnel, key programmes and funding categories. While individual LECs enjoy a nominal autonomy, the adjustment of state structures to the incorporation of business representatives ensures that they work through similar practices and norms. Although LECs were established as part of a broader national political agenda, one effect of the new structure was to grant official recognition to the increased economic diversity of the Highlands. The relationship between this economic diversity (see Appendix 2) and institutional 'sameness' - in the sense that LECs, despite being autonomous agencies have a common structure and range of responsibilities - is explored in succeeding chapters through the analysis of data collected from three study areas (Chapter One, p.16, Appendix 2). These investigate whether the organisational structures underpinning this 'sameness' allow LECs the scope to develop distinctive initiatives to address the diverse challenges of their local economies.

4.6. Conclusion.

This chapter has argued that the transition from HIDB to HIE can only be understood within a broader political and strategic context. HIE was introduced as part of a Thatcherite 'state project' that sought to dismantle the social and organisational bases of Labourism and social democracy while mobilising the strategically significant sections of the population making up its own social base (Jessop *et al.*, 1988; Jones, 1997b). The replacement of tripartite arrangements by a new bipartite relationship between the state and business led to the emergence of a new local-elitist mode of representation (Peck, 1992; 1995). As 'institutional metaphors' of Thatcherism, LECs embody many central features of this shift towards a 'post-corporatist' state (Peck, 1995; Peck and Jones, 1995). These include: the requirement for two-thirds of their boards to be drawn from the private sector; a corresponding marginalisation of established 'stakeholders' such as organised labour, elected local authorities and the voluntary sector; a reliance on detailed financial and contractual arrangements with central government agents; and an insulation or 'enclosure' from

local democracy, leading to concerns about 'openness' and accountability. Moreover, LECs are part of a broader re-scaling of the state channeled through the strategic localism that occupied such a prominent position in the discourses of 'radical' and 'late' Thatcherism.

In Scotland, however, the impact of neo-liberalism was mediated by established institutional networks (Moore and Booth, 1989; Paterson, 1994). Subsequent changes can be seen as products of the interaction between underlying forces of state transformation and the pre-existing structure of regional governance. From 1982, the HIDB sought to adapt to Thatcherite imperatives in order to guarantee its survival. The crucial changes in the practice of economic governance associated with this process of adaptation laid the basis for more radical reforms between 1988 and 1991. The constitutive role of regional actors and institutions in processes of institutional restructuring ensured that the new enterprise networks demonstrated considerable continuity with previous arrangements, particularly through the role of SE and HIE as strategic regional tiers of the state. But while important, this role is one of mediation and adaptation; in a centralised state like the UK local actors are unable to resist the logic of central imperatives.

The evidence presented in this chapter suggests that the establishment of LECs was the product of an externally-derived political agenda rather than local 'demand'. The local elites forming LEC steering groups and boards were mobilised in response to this central agenda as they came to realise the inevitability of change. This does not necessarily mean, however, that LECs are not open to local demands and priorities. Indeed, discourses of business leadership created expectations that LECs would have the scope to address local priorities without central interference. As section 4.5 showed, however, LECs were soon constructed as 'objects' of regulation and routine state practices deployed to order their activities. In addressing the issue of LEC's operational autonomy from central government, Chapter five examines how this central tension between local initiative and central direction has been worked out within the HIE Network since 1991.

Notes

¹ This draws on Hay's distinction between 'failure' - as a reflection of the inherent properties of a system - and 'crisis' - as a political and discursive representation of failure (Hay, 1995, 1996a, b). From this perspective, the 'New Right' successfully converted state failure into a political-economic crisis that created the space for radical Thatcherite 'solutions'.

² Tripartism refers to institutional arrangements based on the representation of state elites, private capital and organised labour as 'partners' in economic management. These were a defining feature of a broadly social democratic state regime in Britain in the 1960s and 1970s.

³ This follows from the dual role of local state agencies as both agents of and obstacles to the centre (Duncan and Goodwin, 1988).

⁴ Former HIDB official, interview 28.10.97.

⁵ Former HIDB board member, interview 7.11.97.

⁶ Interview 7.11.97.

⁷ Former HIDB board member, interview 7.11.97.

⁸ Local newspaper editor, unrecorded interview 3.7.97.

⁹ Former HIDB board member, interview 7.11.97.

¹⁰ Former HIDB board member, interview 7.11.97.

¹¹ For Jones (1996a; 1997a), this element of compulsion represents 'trainingfare', a specifically British variant of the more general trend towards workfare, in which the unemployed are forced to participate in training programmes in return for state benefits.

¹² The 1987 general election manifesto had contained the promise of more radical measures on training. Subsequently, the MSC was restructured into the Training Commission with the loss of its employment services division to the Department of Employment (Evans, 1992: 90-96).

¹³ Though the fact that these local agencies were to be business-led was ironic since employers' failure to invest in training was the root cause of this lack of skills (Peck, 1992: 335; Evans, 1992: 144; King, 1993: 230).

¹⁴ Former HIDB board member, interview 7.11.97.

¹⁵ Former HIDB board member, interview 7.11.97.

¹⁶ Senior LEC official, interview 26.6.97; LEC director, interview July 7.7.97.

¹⁷ LEC official, interview 5.3.97.

¹⁸ The funding for West Moray, Badenoch and Strathspey (previously part of the HIDB area) comes from HIE while that for the more populous East Moray area (previously part of SDA territory) comes from SE

¹⁹ LEC official, interview 6.3.97.

²⁰ Former HIDB board member, interview 7.7.97.

²¹ Senior LEC official, interview 12.3.97.

²² LEC boards were drawn largely from small locally-dependent businesses in the service and tourism sectors. This pattern, reflecting the structure of local economies, contrasts with SE LECs where representatives of large multi-national investors were often active (see Chapter seven, p.198-99).

²³ Despite initial mobilisation, the small size of Highland LECs relative to the Lowlands raised doubts about their long-term viability. The entire HIE network is only the size of a medium-sized SE LEC, covering a population of about 370,000.

SALE is the smallest LEC in Scotland, covering an area with a population of 11,000 and responsible for a budget of just over £2 million. This contrasts with the Glasgow Development Agency, covering an area of 650,000 people and with a budget larger than HIE's.

²⁴ LEC official, interview 26.3.97; LEC director, interview 5.8.97.

²⁵ LEC director, interview 7.7.97.

²⁶ HIE official (ex-HIDB), interview 25.11.96.

²⁷ Also former HIDB board member, interview 25.11.96.

²⁸ Or 'new institutional spaces' in Jones' (1997a) terms.

²⁹ Local business proprietor, unrecorded interview 31.5.97.

³⁰ Local councillor, unrecorded interview 26.6.97.

³¹ Local newspaper editor, interview 3.7.97.

³² LEC director, interview 7.7.97.

³³ Local newspaper editor, interview 3.7.97; LEC director, interview 7.7.97.

³⁴ Former HIDB board member, interview 7.11.97.

³⁵ This system has recently been re-organised. The new regime is based upon the three objectives - growing businesses, developing people and strengthening communities - emphasised in HIE's current strategy (HIE, 1996) and which also structure the business planning process (see Chapter five).

³⁶ LEC official, interview 6.3.97.

³⁷ LEC official, interview 6.3.97.

³⁸ Council official, interview 5.3.97.

³⁹ LEC official, interview 5.3.97. In an extension of this process, some LECs have recently introduced an 'account manager' system in which certain officials take responsibility for a portfolio of companies across the range of services provided by LECs (Senior LEC official, interview 12.3.97).

⁴⁰ This structure is now itself being re-organised to reflect HIE's strategic objectives (see note 35 and Section 5.2)

⁴¹ These are Network Strategy, responsible for strategy review across the network, corporate planning and economic research and analysis; Network Operations, responsible for providing back-up for LECs and monitoring their performance; and Projects and Marketing, responsible for developing pan-Highland initiatives and marketing support. They are supported by an Executive Office and a Finance and Administration division. (HIE official, interview 1.11.96).

⁴² Senior HIE official, interview 1.11.96.

⁴³ A former senior HIE official and ex-HIDB board member suggested that the re-organisation was also designed to reduce staffing levels in the wake of this decentralisation process. Interview 7.7.97.

⁴⁴ Although their unelected nature and the fact that the structure of representation (based on a two-thirds business majority) is specified by the centre prevents them from being 'captured' by oppositional interests.

⁴⁵ This provides an example of how form can problematise function (Offe, 1975; Jessop, 1990b: 249; 1995a: 325; Jones, 1997b: 853). By exposing them to local political influences, the institutional form of LECs (and TECs) holds the potential to undermine their functionality as agents of government promoting capital accumulation.

⁴⁶ HIE official (ex-HIDB), interview 25.11.96; Former HIDB board member, interview 7.7.97.

Chapter 5

Shaping the HIE Network: Local Initiative versus Central Direction

5.1. Introduction

This chapter examines the shaping of local-central relations within the HIE Network since 1991. While the arguments of the previous chapter suggests that LECs' operational autonomy will be heavily constrained, analysis of local-central relations requires that detailed attention be paid to key parameters of the operating regime and strategic framework within which HIE and LECs work. This chapter takes the existence of a crucial tension between local initiative and central direction - identified in the quote that opens this thesis (Chapter 1, p.1) and confirmed by other respondents¹ - as its starting point, and examines how this has been worked out in practice. The analysis is informed by accounts of the TEC network which stress the tension between demands for local autonomy and established systems of public accountability as a defining feature of the relationship between local agencies and central government (Evans, 1992: 147- 57; Peck 1992: 348-9; 1993: 294-9; Jones 1997b).

One crucial difference between institutional structures in Scotland and England concerns the role of the Scottish Office and HIE core as regional tiers of the state. Chapter four stressed how the HIE Network emerged from the interaction between processes of state restructuring under Conservative governments and the pre-existing structure of regional governance, based on the HIDB. This chapter extends that analysis to consider how the relationship between LECs and central government is channeled and mediated by the accumulated knowledge and experience of state managers within the Scottish Office and HIE. It examines HIE's capacity to implement its own strategic priorities and to adapt and translate central initiatives to its own purposes. In particular, the chapter investigates whether the technical expertise and local knowledge concentrated within local and regional institutions can be deployed to mediate the impact of neo-liberal technologies of government (see chapter

2.5) - financial controls, targeting, audit.

The material is structured in three main sections. Section two considers the question of strategic autonomy: to what extent are HIE and the LECs able, within the limits set by financial and operational rules, to determine their own priorities and identify appropriate areas for intervention? Section three focuses on key features of the operational regime structuring LEC activity. Attention is paid to the role of targets as a means of relating budgetary allocations to performance. Moving to the micro-level, the fourth section considers the flexibility LECs have to interpret central guidelines in the appraisal of applications by individual businesses for financial support. Finally, a brief conclusion summarises the main findings.

5.2. Strategy Formulation and Implementation

As the principal channel through which development policy is formulated and delivered, the strategies of the HIE Network have a major impact on the Scottish Highlands. This section focuses on the respective roles of each institutional tier - LECs, the HIE core, the Scottish Office - in processes of strategy formulation and implementation. It addresses three inter-related questions linked to this theme. How much scope is HIE granted by the Scottish office and central government to determine its own strategic priorities? In what ways are LECs involved in this process? Is their role confined to implementing a strategy formulated by national or regional institutions? Such questions cannot be answered by citing formal divisions of responsibility, but require an analysis of the often messy and complex processes through which strategy is developed and put into practice. The section also considers whether HIE possesses the necessary strategic capacity to address the structural problems confronting the region.

One of the initial tasks of those officials charged with preparing the ground for the launch of the HIE network in April 1991 was to formulate a strategy to guide and structure its early activities. The modern state derives much of its legitimacy from its capacity to increase the living standards of its citizens by promoting particular models

and strategies of economic growth (Painter and Goodwin, 1995), and HIE's role in promoting economic development in the Highlands assumes particular importance in this respect because of the region's history of underdevelopment. While state strategies will often support powerful private interests, they are commonly justified and legitimated by some wider notion of the 'public interest'. The formulation and implementation of economic strategies for local and regional spaces allows state agencies to regulate and order the economic process by channeling resources towards designated sectoral targets, co-ordinating the activities of the various economic actors involved in these sectors and directing the benefits towards favoured social groups (see Lange and Regini, 1989: 4-5). To the extent that these interventions identify specific extra-economic conditions for growth and define growth models for regional economic spaces, they conform to Jessop's notion of an accumulation strategy (Jessop, 1990b: 198; 1997b: 61). At the regional and local levels, the strategic interventions of state agencies will tend to be promoted by particular discourses of the 'local' or 'regional' that draw upon selected local traditions and conventions and construct the local economy in certain ways (Pratt, 1991; Jessop, 1997d). While such strategies ultimately construct an 'illusory community' of interests, to function effectively they must be seen to be addressing the interests and concerns of key groups within this community.

Economic strategies are shaped and conditioned by underlying constructions of the local economy as a key 'object' of regulation (Chapter two, p.41-42). Like those of the HIDB in 1965, the effectiveness of HIE's strategic interventions depended on its capacity to transform the complex web of economic and social relations in the Highlands into a coherent and manageable economic 'space' (*cf.* Jessop, 1997b). The parameters of this process were set by previous interventions by the HIDB, whose pre-existing strategies formed crucial resources for HIE in identifying certain sectors and areas as priorities. Another closely related influence was the structure of the regional economy. Its particular patterns of concentration and specialisation simultaneously enabled and constrained HIE's strategic options, directing it towards certain areas of strength and others in which a potential for expansion could be identified whilst ruling out a concentration on other areas in which the conditions for

growth were absent. Yet while these pre-constituted strategies and structures were of crucial importance, the constructions of the regional economy which HIE's initial strategy drew upon were particular to that moment.

The discursive reconstruction of the Highland economy associated with this key moment of transformation was framed by the broader imperatives of state restructuring under the Conservatives. Elements drawn from neo-liberal discourses structured HIE's strategy and associated patterns of intervention. HIE was quick to assert a key premise underlying the institutional reforms of the late 1980s and early 1990s:

The fundamental principle governing the operation of the HIE network is the pre-eminent role of private capital and entrepreneurship in creating a healthy economy and society (HIE, 1991: 4).

Although this did not signal a substantive break with previous policy,² it represented a crucial founding statement, drawing much of its force as a rhetorical claim from wider political imperatives underlying the establishment of unelected local agencies.³ This statement reflects a number of specific aspects of this agenda: the promotion of business interests by Conservative economic policy; the efforts to re-model the public sector on private sector principles and practices; the emphasis of Thatcherism as a hegemonic project in promoting the 'entrepreneurial society' and popular capitalism; and, perhaps most directly, the incorporation of local business elites into the representational regime of the state through local agencies like LECs.⁴

In association with this emphasis on the superiority of private sector modes of organisation, HIE produced a 'boosterist' discourse of the Highlands as a vibrant and dynamic economic space:

Our common interest lies in the future prosperity of the area. Many of the seeds of this prosperity are already planted in today's Highlands and Islands, and are already growing. The Highlands and Islands is in the process of rapid change, energetically turning around its long legacy of economic decline. A new confidence is evident in many corners of our area. (F. Morrison, HIE chairman in HIE, 1996:2).

These claims are embedded within the wider discursive formation surrounding local economic development in the 1990s (Hay, 1994: 25). Characteristically, this produces positive images of growth, change, innovation and flexibility to market places to potential investors and increase confidence within the indigenous business

community. Like all economic discourses, HIE's efforts at regional 'boosterism' relies upon a selective appropriation of past trends (Jessop, 1997d). HIE highlighted the resilience and adaptability of the regional economy, seeing this as rooted in a diverse range of small businesses, and citing high rates of new business formation in the 1980s and 1990s as evidence (HIE, 1991, *Third Report 1993/4*: foreword; *Sixth Report 1996/7*: iii-iv). Trends relating to growing business confidence in the region and increased rates of self-employment were also emphasised (HIE, 1991, 1996, *Sixth Report 1996/7*: 6-7). This mode of presentation constructs what can be termed an *aggregative perspective* focusing on dominant economic and demographic trends at the regional level.⁵ In addition to the trends cited above, HIE's *Sixth Report* emphasises falling unemployment, population growth and a rising level of exports as 'objective' evidence of success (HIE, *Sixth Report 1996/7*: 6-7). This form of representation has the effect of conveying an overall image of growth and vitality whilst glossing over many of the social and economic problems affecting the region.

The 1991 strategy stated HIE's overall aim of enabling "the people of the Highlands and Islands to realize their full potential" through its efforts in each of its main areas of activity (HIE, 1991: 3). From the overall aim seven more specific objectives were derived.⁶ In terms of the selection of policies for individual sectors, and the substance of policies towards these, the continuities between HIE's approach and that of the HIDB reflected its inheritance of the latter's strategic resources and capabilities. At the same time, the way in which these 'objects' of regulation were constructed and presented reflected HIE's role in delivering Conservative policy.

The strategy emphasised the role of manufacturing and high-technology export services since this sector, still under-represented in the Highlands, was seen as offering scope for expansion (HIE, 1991). The completion of an advanced ISDN (Integrated Services Digital Network) network, a result of a joint initiative between HIDB/HIE and British Telecom, was seen a major boost to the region's competitiveness in terms of both attracting high-technology services and promoting indigenous growth. Although the attraction of 'appropriate' forms of inward investment remained important - extending the HIDB's shift way from large-scale

industrial projects - it was overshadowed by the rhetorical emphasis on stimulating indigenous enterprise. HIE noted the region's continuing deficiencies in this regard, pointing to the failure to develop a critical mass of small-to-medium enterprises (HIE, 1991). This category of companies was identified as a key 'object' of regulation in preference to the smaller number of large firms as HIE stressed the need to improve the provision of support services, especially training, to dynamic firms with growth potential.

While manufacturing and high-technology export services were stressed as key sectors in which to stimulate enterprise, the problems of 'traditional' industries were also considered. The historic importance of agriculture and fishing in particular as sources of income and employment demanded that their problems were addressed. This formed one key way in which the pre-existing structure of the regional economy shaped HIE strategy. In terms of rural adjustment, one emphasis, drawn from broader policy discourses, was economic diversification with HIE seeking to help established and new rural enterprises identify and exploit alternative market opportunities (HIE, 1991/92, *A Strategy for Land-Based Enterprise*). An increasingly important form of diversification during the 1990s - strongly promoted by HIE - concerns the growth of new forms of work based on information technology, such as tele-services and teleworking. The decision to maintain the HIDB's emphasis on the potential of tourism as a priority sector was another way in which previous strategies and economic structures influenced HIE strategy. Tourism accounted for some 20 per cent of the region's economy - in GDP terms - leading HIE to identify it, despite major fluctuations in its growth path during the 1970s and 1980s, as the best non-industrial growth prospect for the region (HIE, 1991a).

Given its social development powers, HIE's assessment of the extra-economic conditions for growth assumed a particular importance in shaping its accumulation strategy. Again it inherited key aspects of its approach, including the specific programme of Community Action Grants, from the HIDB. While the official rationale for the social development function stresses the need to provide social and community facilities in order to retain and attract population, the effect has been that development

agencies have sought to engineer changes in social and cultural relations. In the 1960s and 1970s, the HIDB's programme of industrial development sought to 'modernise' underlying attitudes and values, implicitly viewing local cultures as barriers to development (Section 3.3.2). In the 1990s, HIE is also working to change the attitudes and values of Highland society, but in ways shaped by current demands and expectations. It sees social and community development as underpinning 'enterprise' in terms of the effects of community involvement in development projects in increasing skills and boosting self-confidence and thereby creating the conditions for local 'entrepreneurship' to flourish (HIE, 1991; 1991/92, *Community and Economy*). This particular construction reflects HIE's origins as part of a wider Thatcherite hegemonic project promoting ideas of popular capitalism and the entrepreneurial society (Jessop *et al.*, 1988; Gamble, 1988). While the HIDB had earlier appropriated elements of this entrepreneurial discourse, the latter exercised a more direct influence over HIE's early statements, giving these greater force and coherence (Fairclough, 1992). In part, HIE's deployment of entrepreneurial language - particularly marked in the early years - stems from the need to establish an institutional identity and outlook that differentiated it from its predecessor (the HIDB).

By 1995, a need for a strategic review had been identified as events overtook the 1991 strategy which had been written before the LEC network became operational.⁷ In 1993/94 HIE's local knowledge and technical expertise gave it a key role in the formation of the Highlands and Islands Objective 1 strategy,⁸ thus strengthening and extending its strategic capabilities. The process of strategic review culminated in a revised strategy, launched in January 1996. It was orientated around three strategic objectives: growing businesses, developing people, and strengthening communities (HIE, 1996). HIE also re-defined its sectoral approach, focusing its efforts on four key sectors: food and drink; manufacturing and production; tourism; and knowledge, information and telecommunications (HIE, 1996). The last of these has become a major growth area since 1991 with a range of tele-servicing projects attracted to the region.

The production and implementation of these regional strategies raises

questions about the input of the different institutional tiers. In response to this issue, well-placed officials tended to emphasise the relative autonomy enjoyed by HIE as the key strategic actor:

Last January HIE prepared their strategy document and we were invited to comment on it, but it's their document. In a sense, if you set up a body like HIE there's not much point second guessing them, but there is strategic guidance come up from the Secretary of State every year. But I'd tend to think it's more bottom-up from HIE to us, saying this is what we think, and you know they were going to concentrate on certain sectors, that wasn't the Secretary of State's idea, they're on the ground.⁹

I mean the strategy is developed by us, and it's more that it has to meet the requirements of our board and our ... Local Enterprise Companies and so on than the Scottish Office ... Certainly you know the whole point of having an agency in the Highlands is not for the Scottish Office to tell us this is your strategy, we come up with the strategy and the Scottish Office basically accept it.¹⁰

These represent clear statements that HIE strategy is not the product of direct instruction from government through the Scottish Office, reflecting instead a view of HIE as a development agency empowered to develop solutions appropriate to the requirements of its particular regional space. This again points to the state's reliance on its regional and local agencies to develop credible responses to local issues and demands (see Section 4.3.2 on the HIDB). Central government lacks the knowledge and capacity to respond directly to local 'problems'. In this case, the accumulated reserves of local knowledge and technical expertise that HIE inherited from the HIDB give it the capacity to formulate and implement regional economic strategies. These resources are deployed in routine processes of reflexive monitoring (Giddens, 1985) through which HIE collects and analyses data on social and economic trends. This knowledge is then both fed into processes of strategy production and used to mediate the implementation of strategy in the face of changing local conditions.

Yet the strategic autonomy enjoyed by HIE is circumscribed. The first of the two quotes reveals that the Scottish Office has an opportunity to provide input as the strategy is formulated and that it grants formal approval to the final document. HIE's strategic choices are embedded within a wider shared understanding of what is appropriate. Such understandings are developed through contacts and exchanges, often on an informal level, within the institutional networks linking local and regional sites to the Scottish Office. In this sense, routine processes of institutional interaction tend to create and reproduce 'structures of expectations' (Paasi, 1991) that allow

regional and local actors to anticipate what will prove acceptable to government. The key point here concerns the need to ensure that initiatives do not conflict with central government policy (Moore and Booth, 1989).

The change of government in May 1997 provides insights into the relationship between government policy and regional strategy. It is encouraging a period of strategic appraisal and revision:

The new government has asked us to consider whether our strategy still meets ... the agenda that they have. Our view is that generally ... if you read the three key things - growing businesses, developing people and strengthening communities - you can fit the Labour agenda into those broad headings. There are some new things obviously which aren't in the strategy, and the Land Unit is a good example, ... also Welfare to Work there's no mention, but I think we can incorporate those in, I mean the Land Unit fits very well into strengthening communities, giving communities greater control over their resource and capacity building and so on. So you know we're reasonably confident that with some tweaks around the edges, we are looking at this actually, that the strategy is reasonably robust.¹¹

The claim HIE can accommodate Labour's agenda with little difficulty reflects the tendency for regional strategies to be cast at a fairly general level, identifying broad objectives - such as the 'three key things' above - with which it is difficult to disagree.¹² In this case, it also reflects the relative lack of substantive difference between Labour's economic policies and those of the previous Conservative government. The key difference in terms of Highland development is their respective approaches to issues of land ownership and distribution with Labour emphasising the potential of community land purchase. Accordingly, in June 1997, it instructed HIE to establish the Community Land Unit referred to above (*WHFP 27.6.97*). More generally, the 'Welfare to Work' programme for young unemployed groups is an important new initiative. The above quote claims that these new initiatives can be accommodated within the existing objectives of 'developing people' and 'strengthening communities'. Beyond these specific initiatives, however, any revised strategy will be the product of HIE's efforts to 'tweak' existing priorities to current policy agendas rather than direct instruction from government.

The relative autonomy enjoyed by the HIE core raises questions regarding the involvement of LECs in the process of strategy formulation. Do they have the scope to feed local priorities and concerns into the process? From an HIE perspective, one

official stressed the importance of ensuring that LECs were closely involved:

We went round every LEC and spoke at length both to their Boards and their senior staff in the process of writing that strategy ... that was very important to us, that it was a strategy for the Network and that they be seen to visibly have signed up for it ... Now that was very, very important to us ... Although the LECs now deliver everything that's local to their area, we still have to emphasise that the Highlands has more in common that identifies it than divides it, even though Shetland and Barra apparently have very little in common, they have more that unites them than divides them, we would argue. So that there's still this important pull from the centre, that the Highlands be identified as a complete region in its own right, it's very strong.¹³

This suggests that the commitment of individual LECs to a single regional strategy is crucial in avoiding local fragmentation and enabling the HIE Network to function effectively. It also provides an insight into how the institutionalised practices work to re-produce the Highlands as a coherent regional space. LEC representatives also stressed their involvement in processes of strategy formulation:

There was a whole series of meetings took place, within HIE teams, up in Inverness, the chief executives debated it at a workshop ... the chief executives as a group, the strategy department in HIE came round to the Board of every local Enterprise Company and debated strategy with the LECs, the LEC chairmen reviewed and discussed the strategy, all this went round the loop, I'm sure for a year, before this new strategy was finally cast into concrete.¹⁴

This again presents a picture of an integrated network in action as regional strategy is developed through close cooperation and communication between HIE and the LECs. LECs relationships with HIE allow them to feed local priorities into emerging strategies, thus ensuring that they are grounded in local assessments of local economic conditions. At the same time, however, it is important to emphasise that the HIE core retains ultimate authority and responsibility for strategy formulation.¹⁵

Another key issue concerns the flexibility granted to LECs in adapting this regional strategy to the conditions of their distinct local areas. As one LEC official pointed out, the basic structure of the Network forces HIE to rely on LECs for implementation.¹⁶ He represented the translation of strategies from national to regional to local in terms of a "filtering" metaphor:

We have a contract with HIE obviously to deliver all their services, and the provisions of that contract usually refer us to ... strategies, particularly for individual sectors, we're basically working to that. There are, I think increasingly ... local versions of the strategy being produced ... The one that I'm most familiar with is the tourism sector and we are at the moment producing a tourism strategy ... In effect what we have is an action plan for the next five years which everybody has signed up to and that follows on from the national tourism strategy and then the Highland tourism strategy which have been produced over the last two years. So yeah I mean the principle of it is that these national strategies filter down into regional strategies which then filter down into local strategies.

Although LECs have a contractual obligation to work to HIE strategy, the "filtering" process creates space for the provisions of central strategy to be translated into terms that recognise the requirements of individual areas. Since the publication of HIE's current strategy in January 1996, LECs business planning increasingly follows the framework set out there, with programmes categorised in terms of the three key objectives and funding allocations for the four key sectors specified in advance through the Finance for Business (FFB) programme.

Despite the requirements of this structured framework, however, LEC officials insist that the process allows the diversity of local economic conditions to be reflected:

It's the essence of a Local Enterprise Company Network that we are able to emphasise these areas that are more important to our area, so in our area because the fish-farming sector is of great significance and the tourism sector is the best part of 30 per cent of our GDP ... we will put much more emphasis on tourism than perhaps Shetland ... The local area will emphasise its staff time and its money to reflect ... the needs of its own economy.¹⁷

I mean ... different areas have different attributes ... we've got a low manufacturing base here whereas places like Inverness are much more intensive in that sector. We're stronger on the indigenous industries, industries based on the sea, tourism is strong as well, so there are different emphases in different LEC areas depending on the opportunities.¹⁸

Within FFB, each LEC can determine the distribution of funding between the main sectoral categories according to its reading of local requirements. This reveals that LECs do have some scope to shape their own priorities within the basic structures of the funding regime. For example, Western Isles Enterprise (WIE) can concentrate on fish farming within the Food and Drink priority while Skye and Lochalsh Enterprise (SALE) can shape its FFB spending to reflect the importance of tourism to the local economy (WIE, *Business Plan 1996/7*; SALE, *Business Plan 1996/7*). Given that the categories with which they work are established by the HIE core, however, the role of LECs is to adapt the provisions of the strategic framework set regionally to the needs of their respective areas. They are not in a position to independently determine their own priorities. Yet instead of viewing the HIE strategy as constraining, in terms of pressuring them to work with certain categories, LECs seem to regard it as enabling, providing them with additional strategic resources to frame individual programmes. In this sense, being part of a broader institutional network increases LECs' operational effectiveness and overall credibility.

While the above discussion clarifies the role of respective institutions in developing and implementing strategy, it says little about the capacity of HIE's strategies to address the structural problems of the Highlands and Islands. The adoption of an aggregative perspective focused on dominant economic and demographic trends at the regional level seems to limit HIE's capacity to tackle the key issues confronting the region. Regional 'boosterism' reflects HIE's role in promoting the region to potential investors, as well as its need to provide evidence that its efforts are having a positive impact on the regional economy. One effect is to marginalise the experiences of low-income groups dependent on marginal forms of employment or welfare benefits and the problems of depressed local economies.¹⁹ This has been a key source of tension between HIE network and local authorities who see themselves as promoting the interests of less affluent groups (*WHFP* 21.8.97).

While HIE's official discourse stresses the need to encourage 'indigenous' development, some 'external' observers remained less than convinced by this commitment. Many residents seem to still regard LECs as concentrating their funds on large-scale forms of development (Shucksmith *et al.*, 1996: 219-226). In particular, a perceived concentration on conventional forms of inward investment was criticised:

Why people have never really, certainly in LECs and HIE ... grasped this properly, I don't know, Easter Ross had had a smelter, classic inward investment, it's had Nigg, more classic inward investment, more recently the company just down the road here, Ky-Lin, the textile company ... It doesn't work because ... the companies will come for the grants, companies are much more mobile now than they ever used to be ... In two or three years time, if there are better grants ... whatever, companies will have no hesitation in closing down here and going elsewhere.²⁰

These claims are ironic, pointing to a gap between 'internal' and 'external' perspectives, since official narratives stress that development strategy has moved away from the industrial modernisation characteristic of the HIDB's early years towards a focus on encouraging local initiatives.²¹ Criticisms of the focus on inward investment were more common, however, in the more central areas around the Inner Moray Firth where it has been a crucial part of the effort to regenerate areas of industrial decline such as Easter Ross.

In outlying areas, efforts to stimulate smaller-scale projects, particularly in the

tele-servicing and IT sectors, raised fewer objections. LECs ability to respond to local needs and priorities is often seen, however, as limited because of their role as government agencies:

Another thing with the LECs is that they're not self-determining, they can't just do what they think for the local economy, it's all ... set down for them by government rules, they're in there with a political agenda and you have to recognise that ... It's like with the LECs national policy always seems to be at odds with the ways things are done in the Highlands, it doesn't really fit ... How often do you hear them saying we can't do that because of government regulations? That's the thing with LECs, they lack the freedom of action to do things ... it's all about central government guidelines.²²

For some local activists, then, the continuing weight of central direction prevents LECs from promoting and supporting distinctively 'local' initiatives. At the same time, however, LEC personnel working within these structures are seen as genuinely motivated and doing a 'good job' in assisting development across a range of sectors.²³

The above comments provide some insight into the local reception of economic strategy. As Jessop (1997d: 30-32) has emphasised, the reception of the institutional discourses that promote particular strategies is conditioned by their resonance with the personal narratives that shape individual outlooks. In the Highlands, reception of HIE strategy is shaped by its perceived success in addressing underlying structures of expectation. The quote on page 129 suggests that HIE strategy still tends to be read through the experience of HIDB policy in the 1970s while the emphasis on LECs' limited autonomy is shaped by particular impressions - to varying degrees a reflection of personal experience²⁴ - of LEC bureaucracy. The gap between internal and external perspectives points to the limited impact of institutional strategy with local residents seeming to retain an underlying scepticism - grounded in experience- that resists interpellation within organisational narratives.

One fear widely expressed when the initial proposals for LECs were introduced was that the shift towards local business-led agencies would dilute the strategic capacity accumulated by the HIDB. While the more coordinated and integrated approach adopted by HIE relative to SE has ensured that fears of LECs competing against one another to attract inward investment have not been realised,²⁵ there is evidence of a strategic gap within the HIE Network:

There wasn't enough care taken to ensure that the people retained by HIE were the strategic thinkers ... so there's actually very limited strategic capacity now within HIE ... You could have retained a very strong strategic ... staffing within HIE ... but you'd have had to keep some key individuals ... What happened to some of the strategic people is they actually just left, went off to other things or went off to Scottish Enterprise where I think they saw a bigger, a bigger role.²⁶

Uncompetitive pay rates and a perceived lack of interest for key strategic thinkers have led to recruitment problems, creating a situation in which HIE seems to have become the poor relation of SE. More fundamentally, however, the relative strategic weakness of the HIE network appears to be a function of the interaction between the demands of central government and the management style HIE has adopted and promoted. In the context of central measures of effectiveness and performance such as targets, HIE has focused its efforts on maximising operational efficiency. This orientation towards short-term outputs reduces HIE's capacity to address the underlying problems of the region in the longer-term by discouraging critical appraisal of strategy. The focus on operational efficiency and performance is reinforced by HIE's top-down management style which, working through a 'management group' of key officials, encourages staff to concentrate on running the main programmes and initiatives. It has been suggested that strategic deliberation is seen as a distraction from these operational imperatives.²⁷ The net result of this focus on efficiency and performance has been to reduce the scope for strategic innovation since the days of the HIDB.

The official HIE strategy is not designed to act as a coherent strategy for regional development, in the sense of defining the key problems confronting the region and identifying means of solving these. Rather, it seems to function more as an operational plan, with one key official describing it as a "framework to manage the business".²⁸ Instead of acting as a broader accumulation strategy for the Highlands, its role is largely internal, providing a framework to structure LECs' activities.²⁹ This is clearly evident from the way in which the three strategic objectives and four sectoral priorities are now used to frame LEC's programmes. The business planning process (see Section 5.3) is now structured by the HIE strategy, requiring LECs to link their programmes to HIE's overall objectives. Indeed, the system for allocating funding to LECs is currently being restructured according to the three key objectives identified in

HIE's 1996 strategy.³⁰ In this sense, the strategy functions as an organisational 'fix' allowing HIE to order and regulate the ways in which the network intervenes in underlying processes of economic and social change. The result of this narrow role of 'strategy' as ordering framework, underpinned by an aggregative perspective on regional development and encouraged by the demands of central targets, is a strategic thinness which limits HIE's capacity to address underlying structural problems. Pressures to maximise operational efficiency and accentuate the positive impact of programmes leave little room for 'difficult' issues such as long-term unemployment, social exclusion and economic dependency to be addressed.

This section has shown that while there is scope for LECs to both feed local priorities into the process of strategy formulation and adapt the provisions of the 'strategic' framework to local conditions, the HIE core dominates the process of 'strategy' formulation. Although HIE enjoys a relative autonomy from direct state interference in the area of strategy formulation, it has increasingly used its strategic resources to develop managerial tools to order and frame LEC's activities. This conception of strategy as organisational framework requires LECs to work within established categories, and represents one key way in which state managers constrain local autonomy and flexibility. The analysis now moves on to consider the operationalisation of strategy through the formation of business plans and allocation of funding. The next section focuses on how key features of the operating regime govern the translation of 'strategy' into practice, offering a detailed assessment of the impact of neo-liberal technologies of government such as targeting, auditing and financial controls on the relationship between local initiative and central direction.

5.3. Putting It all Into Practice: an Examination of the Operating Regime

Despite their official status as private companies, LECs are dependent on the state for funding.³¹ While the Treasury remains the ultimate source of LEC funding, both the Scottish Office and the HIE core play crucial roles in determining the precise allocations of individual agencies. Although the allocation of funding from the Treasury to the Scottish Office is determined by a set formula (the Barnett formula),

the Scottish Secretary has discretion to determine the allocation of funds between functional responsibilities.³² Along with other public agencies, HIE submits a bid for funding, in the form of an Operating Plan which details how the money will be spent in terms of specific programmes and initiatives. The Scottish Office then allocates funding from its block grant in accordance with its assessment of the significance of economic development as a political priority. This process tends to work on the basis of previous experience. Variations in funding levels are always set against an established "baseline".³³ The effective functioning of the bidding and allocation process depends upon the underlying knowledge and experience of key actors in that the stabilisation of key norms and expectations allows them to overcome uncertainty and anticipate outcomes.

The methods HIE uses to allocate funding to LECs vary across the seven blocks. While the budgets for adult and youth training are calculated by formulas based upon the number of adult unemployed and school-leavers in an area respectively, block 1 funding is allocated by a formula share method. This begins from a population baseline, giving each LEC a share of funding in direct proportion to their share of the overall population of the HIE area. This is mediated, however, by a calculation of economic need, based upon the identification of two kinds of priority areas: fragile areas and regeneration areas (HIE, 1991). The fragile areas category is designed to reflect conditions in traditional peripheral areas suffering from the classic symptoms of economic marginality (Fig 5.1). The calculation is therefore based on a formula taking account of a range of economic, demographic and physical variables, including population change and out-migration, unemployment, long-term unemployment, the proportion employed in agriculture, the percentage of single track roads.³⁴ The regeneration area category recognises the problems of areas suffering from major unemployment losses which face problems of short-term adjustment (HIE, 1991). The calculative process works in a similar way for regeneration areas, though it is based more narrowly on labour market trends such as unemployment and the employment levels in large employers.³⁵ The Western Isles and North-west Sutherland are examples of fragile areas (Fig 5.1) whilst Easter Ross (based on the Dingwall travel-to-work-area), Wick/Thurso and Forres are classified as regeneration areas. The

resultant map of priority areas is then used to alter the initial pattern of allocation based on population (Fig 5.1). The intention is to re-distribute funds away from the relatively prosperous areas around Inverness towards peripheral or depressed areas like the Western Isles, Caithness and Sutherland and Easter Ross (Table 5.1). The proportion of the population of a LEC area resident within these priority areas is used to calculate a priority factor which is applied to the population base to give a percentage share of funding (Table 5.1). 15.0 percentage points are subtracted from Inverness and Nairn's population share and 1.0 per cent added to each area for every 10,000 population resident within a priority area (Table 5.1) (HIE, 1991: 28). Thus, since the entire Western Isles is classified as a fragile area (Fig 5.1), it is given a priority factor of 3.1 on the basis of its 1991 population of 30,630 (Table 5.1). In 1996/7, the formula share was applied to some £30 million of block 1 funds out of the total Network expenditure of £74.9 million (HIE, *Sixth Report*: 75, 85)

Table 5.1. The Formula Share

LEC Area	Population (1991)	Population Share	Priority Factor	Formula Share
Argyll and the Islands	71,390	19.4	+3.1	22.5
Caithness and Sutherland	39,520	10.7	+2.9	13.6
Inverness and Nairn	72,490	19.7	-15.0	4.7
Lochaber	19,110	5.2	+0.2	5.4
Moray, Badenoch and Strathspey	33,670	9.1	-	9.1
Orkney	19,400	5.3	+0.3	5.6
Ross and Cromarty	48,310	13.1	+4.2	17.3
Shetland	22,170	6.0	+0.4	6.4
Skye and Lochalsh	11,590	3.2	+0.8	4.0
Western Isles	30,630	8.3	+3.1	11.4
Total	368,280	100.0		100.0

Source: HIE, 1991: 28.

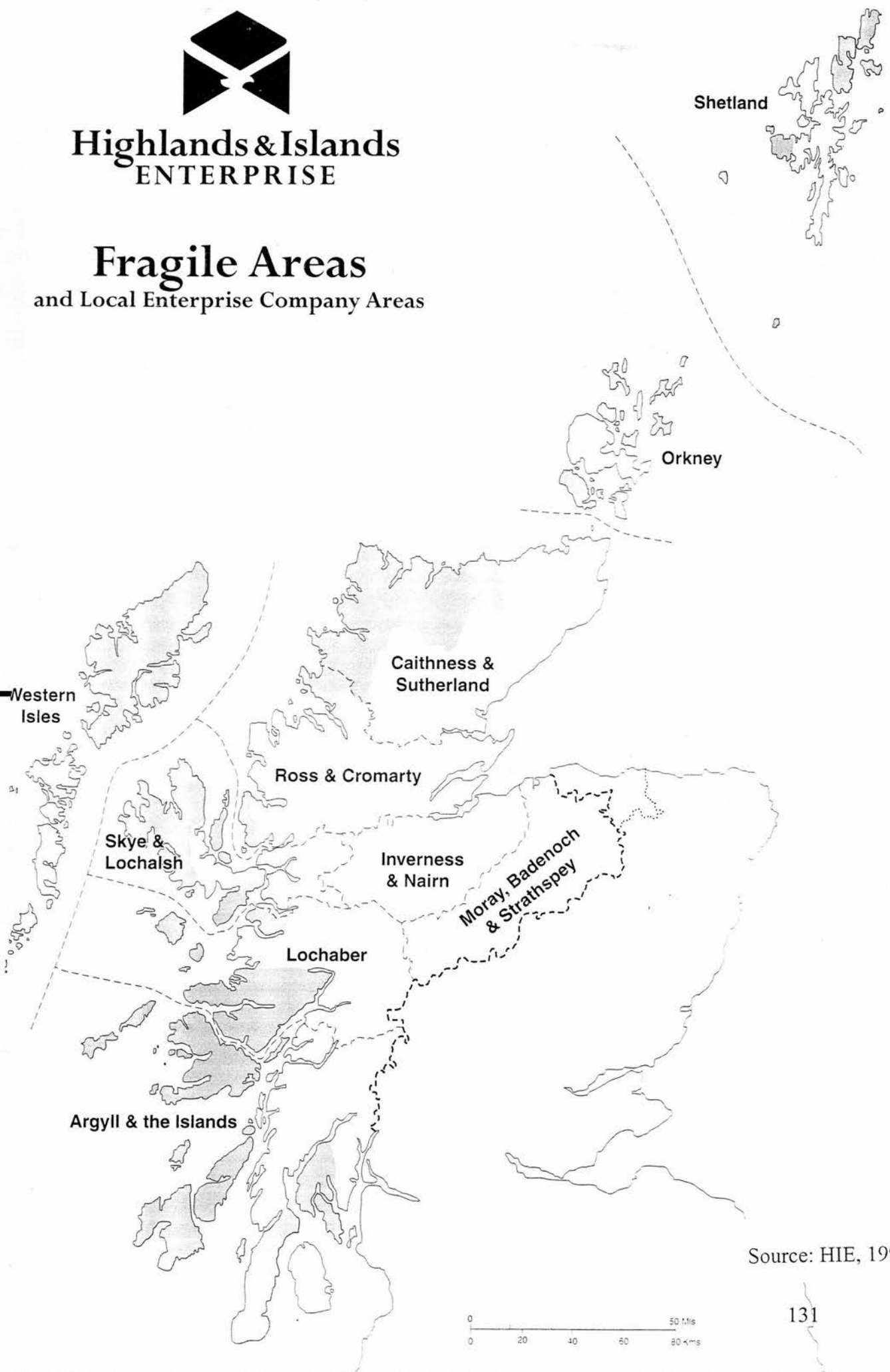
Figure 5.1 HIE Fragile Areas, 1997



Highlands & Islands
ENTERPRISE

Fragile Areas

and Local Enterprise Company Areas



Source: HIE, 1997.

In practice the formula share acts more as a guide, however, as there is scope for allocations to be varied according to the perceived merit of the proposals set out in LEC business plans. This incorporation of local need is crucial in containing local-central tensions. The absence of any overt conflict between LECs and HIE reflects the success of key actors in constructing an integrated network. Although power is not equally distributed, local-central relations are characterised by considerable mutual dependence with LECs obviously depending upon HIE for funding while HIE relies on LECs to supply information on performance and anticipated demand on which to base its allocative decisions. Crucially, as experience has been accumulated, the effects of routine processes of institutional interaction in consolidating certain 'structures of expectation' have removed some of the early tensions:

Now I suppose we're sort of five-six years into it, it becomes very much more sleek ... In the early days there was a lot of tooting and froing ... but I think ... a lot of that debate has passed now and we're very much in a good understanding of what the situation is in each of the areas and there's perhaps not so much of a need for ... great discussion on that. Having said that ... you ... make a strong case and usually ... you ... get a good hearing.³⁶

It's very slick, we've been doing a few years now ... if you look at the historical pattern of splits between the LECs and the HIE core and if you know the overall figure you've got a pretty good feel for what your allocation might be and then it's just a matter of negotiating ... to maximise it. So it's ... a very amicable thing, it's not an aggressive arrangement at all ... We do a plan and it goes across to Highland Enterprise, we talk to someone over there, we send our plan to them and we give a bid as does each LEC, and they have to look at the respective merits of each plan and make a decision on what's allocated.³⁷

In this sense, competitive pressures have been regulated and contained as modes of allocation are gradually institutionalised and normalised. Business planning is a protracted process, beginning in July-August as LECs review the take-up of key programmes.³⁸ There is mutual exchange of information from an early stage as HIE conveys its expectations of overall budget allocations from the Scottish Office and their implications for individual LECs. The first draft is submitted in late November-early December, leaving four months for negotiation and adjustment before the start of the financial year in April when an operating agreement is signed, allowing LECs to deliver programmes on behalf of HIE. All this is set within a historic pattern of allocation based on the formula share and subject to further adjustment in response to local market conditions.³⁹

Respondents were anxious to stress that the initial start-of-year allocations to

LECs, agreed through the business planning process, represented merely a starting point. The need for flexibility was strongly emphasised:

If anyone thinks that a plan that they draw up at the beginning of any year is going to be valid for the whole year they're a fool ... It's one thing having a plan, but you've got to be flexible, you've got to understand ... how the strategy and the tactics will vary as it as meets demands, it's a bit like fighting a battle ... you're subject to the vagaries of the economy generally, you're not working in a vacuum ... You're always in the business of monitoring and evaluating ... that's where I go back to the Management Group ... at HIE level the Management Group are the key to keeping this thing on the rails, or navigating it through the stormy waters, whatever ... sort of simile you want to take.⁴⁰

The important thing is we are a network, and if we at RACE (Ross and Cromarty Enterprise) have been allocated too much money in a particular block and it is evident to us towards the end of the financial year that we're not going to hit that ceiling that's been given to us, it's duty-bound on us to report back to HIE ... And vice-versa if we're over-heating we can go back to HIE and say this is the situation, if we had more money we could do this and if elsewhere in the network is light then there's the possibility we can get the money. So there's a lot of co-operation ... although we're independent there's a huge amount of communication between ourselves and HIE.⁴¹

These quotes offer insight into what Jessop (1997b: 60-1) has called the 'governance of complexity'. They recognise that many factors shaping the actual spending of allocated funds are beyond the control of HIE and LECs and indicate the ways in which HIE seeks to regulate its interventions. The military and nautical metaphors deployed by the HIE official represent the process as one of struggle as HIE strives to maintain overall coordination and direction through the 'command centre' of the Management Group.⁴² Responsiveness to rapidly changing circumstances is paramount. Detailed monitoring and evaluation is regarded as the key to this, requiring LECs to continually assess how local conditions affect the take-up of programmes and then to convey this information to HIE. The integrated structure of the HIE Network is important here in giving the network the capacity to respond by facilitating rapid communication between LECs and HIE. As a result, funds can be transferred quickly to areas of greatest need. While LECs are in many respects the targets of this process, being required to report any shortfalls or surpluses, the second quote suggests that underlying organisational imperatives tend to be internalised by LEC personnel in the sense of becoming normalised within routine practices. The prospect that individual LECs could be the recipients of surplus funds from other parts of the network is important in giving them a stake in the process.

Such responsiveness to changing conditions can be seen as a function of the

'vertical' flexibility of the HIE network, enabling HIE to move funds rapidly between LECs. This, however, appears to contrast with a 'horizontal' rigidity in terms of LECs capacity to transfer money between funding categories. As emphasised earlier,⁴³ LEC funding is structured in seven blocks. Their scope to shift funds between these blocks in response to changing conditions is limited:

Within block 1 where you've got the Finance for Business and Project block generally, yes one could in fact move money about, move money between individual project headings, but you can't move it between blocks 1 and 3 ... And you can't do any of this without permission of HIE in any case really.⁴⁴

Thus, while LECs are able to determine their own priorities within funding blocks, tight rules set by HIE prevent them from viring anything more than a minimal sum between blocks. Once the business plan has been agreed and the Operating Agreement signed, LEC funding is committed to the specified programmes. The limited scope for inter-block virement affects local service provision. For instance, the existence of central rules determining funding levels for national training programmes constrains LECs' ability to provide training schemes tailored to the needs of local business:

The difficulty is that you've actually got monies being ring-fenced in fact for delivering Skillseekers, Training For Work and small business support and you're given a specific budget to deliver these three programmes and at the end of the day you haven't got very much other money left for training the private sector for example.⁴⁵

LECs dependence on HIE for permission to vire funds is indicative of the latter's financial control over LECs. HIE's ability to gather and compare information gives it a knowledge of LEC performance and local conditions across the Highlands which individual LECs lack, thereby enabling it to control the flow of allocative resources across the Network.

HIE's control over LEC's funding regime has not, however, been sufficient to shield the HIE Network from the impact of the shift towards output-rated funding. The focus on outputs and targets is part of the 'new managerialism' in the public sector, introduced in the early 1980s as part of the Thatcher government's concern to ensure accountability over public funds (see Section 4.2) (Gray, 1997: 342-3). By the early 1990s, a pervasive 'rhetoric of accountability' (Power, 1994) was representing targets as a key way of ensuring value for money within the context of a continuing squeeze on public money. The launch and early development of TECs and LECs was

accompanied by substantial cuts in training budgets (Jones, 1997c), linked to measures designed to increase scrutiny over remaining funds.

As part of a broader neo-liberal agenda, targets serve to foster processes of inter-organisational competition. According to Peck and Jones (1995), relating funding to performance measures based mainly on efficiency criteria and represented in forms such as league tables creates a "pseudomarket" forcing TECs to conform to the government's cost-cutting agenda. Failure to meet specified output criteria could have a severe impact on individual TECs, resulting in substantial loss of funding. The increasing use of targets subjects local agencies to increasingly detailed forms of surveillance as state managers monitor their procedures and performance across a range of criteria (Giddens, 1985). All this raises crucial questions about how these general trends are worked out within the specific context of the HIE Network. Does the concentration of key 'authoritative resources' within the Scottish Office and HIE core as intermediate tiers of the state allow these bodies to 'translate' central directives - adapting them to their own purposes - thereby making it more difficult for central government to exert direct control over LECs?

Since LECs have a wider remit than TECs, they are subject to a broader range of targets. Table 5.2 provides an example of the range of targets a LEC is expected to meet on its main programmes in return for funding. While the table captures the 'horizontal' dimension of targeting, in terms of showing the range of targets facing LECs across the main programmes, it is necessary to add a 'vertical' dimension by considering the role of successive institutional levels (LECs, HIE, the Scottish Office) in setting targets and monitoring performance.

At the pan-Highland level, the Scottish Office expects HIE to deliver certain outputs in return for public funding. The key document here is HIE's Operating Plan, which is submitted to the Scottish Office as the basis of its bid for funding and provides details of how funds will be distributed between specific programmes. This is then the subject of detailed negotiation between HIE and Scottish Office officials.⁴⁶ Although HIE is heavily involved in these discussions, ultimately the Scottish Office's

role as the core funder allows it to set the targets it expects HIE to deliver. The requirements of the Scottish Office are in turn structured by Treasury guidelines specifying the main types of outputs, if not their precise levels, that a regional development agency like HIE is expected to deliver.

Table 5.2. Western Isles Enterprise, Main Targets 1996-7.

Programme	Measures	Targets
Finance for Business	Spend ('000)	1,900
	Jobs Created/Retained	285
	Cost per Job (average)	£4,100
	Leverage	1:3
Property	Spend ('000)	1,800
	Site Acquisition	3
	New Units (m2)	750
	Occupancy Rate	85%
Skillseekers	Spend ('000)	614
	Training Weeks	11,868
	Employed Status	35%
	ORF points	290
	SVQs per 100 leavers	45
Training for Work	Spend	201
	Training Weeks	4454
	ORF points	300
	SVQs per 100 leavers	21
Investors in People	Commitments	50
Community Action Grant	Cases Approved	33
	Rate of Assistance	40%

Source: WIE, *Business Plan* 1996-7: 10-12.

Given its basic structure, HIE is unable to deliver key targets directly, forcing it to rely on the combined efforts of its constituent LECs. LEC business plans are linked to HIE's Operating Plan from an early stage with 'shadow' targets attached to

the main programmes in anticipation of the outcomes of negotiations with the Scottish Office.⁴⁷ HIE's knowledge of both central demands and local conditions (through LECs) enables it to play a crucial mediating role, translating the emerging requirements of the Scottish Office into the detailed programmes of action inscribed in LEC business plans. It divides the main targets among the 10 LECs, requiring each to deliver a share of the overall pan-Highland targets (Table 5.2). Through its integration into the business planning process, targeting has become institutionalised within the HIE network in the sense of being framed and structured by the embedded norms and expectations governing day-to-day interaction.

Although LECs have some involvement in setting their own targets, HIE retains ultimate authority:

I mean the targets are largely set by, certainly by HIE, sometimes a little bit unrealistically but you know there's a bit of discussion obviously goes on but at the end of the day it's them that would set the targets which we have to sort of you know just accept and get on with ... There's a bit of come and go, put it like that, but at the end of the day they're the masters so they can decide.⁴⁸

The inscription of agreed output measures in the operating agreement incorporates targets within the broader contractual relationship between HIE and LECs. Accordingly, individual LECs performance against key targets is closely monitored throughout the year with LECs being required to submit a monthly report to HIE. This points to the role of targeting as technology of surveillance (Giddens, 1985) that enables state managers to accumulate increasingly detailed information on key objects of regulation (LECs). As Rose and Miller (1992: 187) observe, requiring individuals and agencies to account for their actions like this is a means of exerting control over them. What the HIE example also shows, however, is that the distinct managerial rationalities associated with targeting tend to be internalised by the actors who are at the same time its targets. Targeting has been comfortably accommodated within the routine practices of reflexive monitoring deployed by HIE to collect and interpret information on aspects of economic development in the Highlands whilst becoming part of the everyday vocabulary of LEC personnel as they monitor their own performance against specified targets.

In this way, calculative technologies deployed by the centre to regulate the

activities of local and regional organisations become articulated with an autonomous set of internal rationalities. The 'authoritative resources' of the HIE core, grounded in the knowledge and experience inherited from the HIDB, enables it to act as a 'centre of calculation' (Latour, 1987) in which data on a range of phenomena pertaining to HIE's remit - business profitability, unemployment, labour market processes, demographic trends - are collected, compared and aggregated. These processes of data collection and reflexive monitoring rely upon mobile technologies of inscription and calculation. The effect is to render the domain for which HIE is responsible "susceptible to evaluation, calculation and intervention" (Rose and Miller, 1992: 185). Processes of targeting are important in extending this beyond aspects of 'external' reality (i.e. local economies) to construct LECs themselves as objects of government. In this sense, HIE's 'allocative resources' (Giddens, 1984) as the agency which controls the distribution of LEC funds enables it to assess and compare their performance through specific forms of inscription and representation (for instance, league tables) and structure its interventions accordingly. Similarly, the Scottish Office can be thought of as a centre of calculation at a higher level which collects and aggregates information on aspects of HIE's performance. The Treasury, in turn, is perhaps the ultimate centre of calculation in the British political system, able to determine the allocation of funding among government departments and monitor how it is spent.

While the growth of targeting has played an important role in the re-modelling of the public sector in the 1980s and 1990s, other technologies of government have also had a significant impact. Like targeting, audit is a technology of mistrust whose spread is justified by a pervasive 'rhetoric of accountability' (Power, 1994). As unelected local agencies modeled on neo-liberal principles, LECs are subject to stringent audit procedures:

We are audited very, very carefully ... we have so many different layers of auditing, we have the National Audit Office, we have HIE's internal audit team who are very stringent, and we have our own Board's audit team who are also very careful and very stringent ... We have to be absolutely sure, that side of things the FFB side of things, and a bit with CAGs as well, are horrendously audited, you really have to have all your bases covered ... We're pretty confident that we can defend most of the figures, and the principle is if you can't defend it don't do it, I think people stick to that quite rigidly.⁴⁹

We have a monitoring and aftercare officer in the admin. team ... and she looks over individual

cases, programmes, ecetera, and looking at the effectiveness ... We also are audited and monitored by a variety of organisations, starting with HIE internal audit but going to the Scottish Office who look quite frequently at what we do, we have European auditors who look at the European programmes, and annually we have the National Audit Office looking at both compliance and value-for-money aspects of the Programmes, so we're audited to death basically ... There's never a day when someone doesn't come in, and we've got our own auditors, Ernst and Young accountants who do the statutory audits for us as well ... meeting all the statutory conditions.⁵⁰

These comments clearly emphasise the density of audit in terms of the multiple layer of evaluation which administrative practices are subject to. Audit not only assesses performance and efficiency against a set of apparently objective standards, it is also a constitutive force in shaping administrative practice. As the first quote states, 'defensibility' in the face of independent auditors is an important factor framing key decisions. The spread of audit is a function of its mobility, allowing diverse and distant organisational sites to be linked by standardised procedures that reflect underlying calculative norms (Rose, 1996a). As the quotes indicate, however, the norms of audit tend to be internalised by target groups, leading HIE and LECs to not only establish their own system of internal audit, but also anticipate the demands of audit during routine decision-making processes. Such internalisation stems from the force of the underlying rhetoric of accountability; as Power (1994: 304) observes, to resist or oppose audit is to "support non-accountability". But the use of audit as a guarantee of accountability depends upon an idealisation of independent validation which is actively de-politicising, placing trust in the hands of technical experts whose actions are governed by managerial rationalities rather than democratic norms. The details and results of audit are rarely made public, reflecting a situation in which legitimacy is derived not from specific outputs but from the public perception that 'independent validation' has taken place. Beneath the rhetoric of openness and transparency, then, audit remains invisible to the publics it claims to serve (Power, 1994: 304-6).

Targeting also functions as a 'responsibilising' technology of control which imposes a structure and logic on the activities of local and regional actors, forcing them to link their activities to broader political programmes. It seems to enable the central state to assert a form of distant control over the HIE Network:

I mean the LECs often ... complain I think that you know HIE set those targets ... but the targets come from the Scottish Office and we're just translating them into what has to be done at the

local level, to that extent it's a fairly top-down process ... The whole question ... of targets ... I guess it's a measure of control in some ways ... The Scottish Office control us by saying we must deliver these targets, likewise there's an element of central control here you know in saying to the LECs you must do this, but that's the whole nature of the Enterprise Network, they have contracts that they have to comply with.⁵¹

This presents a picture of a hierarchical structure with each institutional tier using the process of targeting to assert control over the subordinate tier. It is the relationship between targeting and the allocation of funding that gives it its utility as a managerial tool. Given that institutions will invariably seek to maximise their funds, attaching conditions in the form of targets to these funds gives the funding authorities a directive capacity over their activities. This top-down process, controlled by state managers in the Scottish Office and HIE, is one key way in which the activities of LECs as local business-led agencies have been incorporated within a broader set of institutional rules and procedures. The constitutive role of targeting in shaping the structure of the HIE Network points to the persistence of hierarchical mechanisms of control and suggests that emerging forms of local governance in the Scottish Highlands continue to be underpinned by structures of government.

The use of the term 'translating' in the above quote suggests, however, that neither HIE nor LECs are passive actors in the process of targeting. As has been shown, both the initial formula share and the system enabling funds to be transferred during the financial year are mechanisms devised by local experts which, rather than allocating funds according to performance, seek to channel them to areas of greatest need. HIE's role as a centre of calculation with a relative monopoly of the technical expertise and regional knowledge required to assess and compare local priorities enables it to control this funding regime. The impact of targeting has been 'filtered' through pre-existing structures and practices. In particular, the existence of an integrated network based on close co-operation and communication has enabled HIE to contain the threat of 'institutional Darwinism':

I think what was originally intended and what eventually happened are not quite the same. I'm not aware of any LEC that's had its funding reduced because its performance has been less than ... expected. At once stage it was anticipated that that might be the case... I think what has happened instead is that there is rigorous monitoring of performance, I mean literally monthly Reports from LECs ... and as soon as any problems start to arise ... the corrective action is put in, so you're not waiting until the end of the year and then realising that some LEC has ... either major under-performance or over-performance in any areas, its more to turn quite closely on it as we go along ... There's been no real financial penalties to LECs for

performance.⁵²

There is little sense then in which the prospect of matching funding to performance has fostered competition between LECs. Although HIE compiles league tables to assess performance across a range of quantitative indicators (Table 5.2), no LEC has had its funding reduced as a result of unsatisfactory performance. Rather, LECs are required to monitor the take-up of programmes closely and to convey this information to HIE at regular intervals. While this requirement could be viewed as a form of control through surveillance, the effect is to give the HIE Network the institutional capacity to 'translate' central directives by accommodating their logics within its own institutionalised norms and procedures.

This section has assessed how key aspects of the operating regime govern the translation of strategy into practice. While neo-liberal technologies of government such as financial controls, targeting and audit have shaped this operating regime, it would be inaccurate to state that they allow the centre to govern the HIE network at a distance (Rose, 1996a). The logic of these 'responsibilising' technologies does require HIE and LEC personnel to account for their actions to external authority, but the force of underlying rhetorics of accountability has seen these actors internalise key norms. As a result, these norms have been institutionalised within routine practices and procedures. This can best be described as a merging of internal and external (government) rationalities, with HIE's 'response' structured by a management culture that privileges operational effectiveness over strategic deliberation. At the same time, HIE retains a relative autonomy from government, and its possession of certain 'authoritative resources' inherited from the HIDB give it a capacity to 'translate' central directives into its own terms. For LECs, however, institutionalised rules and procedures limit their capacity to address local priorities:

The flexibility's not there, at the moment you're looking at things, whether it's training or Finance for Business or whatever, all these things are so linked to national targets, at the local level it just kind of disappears ... this whole thing about not being not being able to vire and over-emphasis on a few main targets ... In a way that's kind of where the fundamental conflict comes ... The issue as far as LECs are concerned is that the whole Local Enterprise Company Network was based on the fundamental ... premise that local businessmen ... know best what the economic policy for that area or economic development approach for that area should be. Now people may disagree with that fundamentally but if ... that is the basis for it then freedom to vire money into whatever the board believes are the priorities ... should be there.⁵³

This suggests that the tension between central direction and local autonomy -

identified in the quote which opened this thesis - is being resolved in favour of the former. But in order to explore this issue further, it is necessary to consider how the key strategic themes and features of the operating regime discussed above are operationalised and put into practice at individual project level. The following section focuses on the appraisal of individual applications for financial assistance in order to consider how the themes considered above frame allocative decisions at the micro-level.

5.4. Exercising Local Flexibility? The Appraisal of Business Applications

Finance for Business (FFB) is the main programme for business assistance. Compared to the main training programmes, which LECs deliver according to national rules, it appears to be one of the areas offering more scope for local discretion and flexibility to be exercised in decision-making processes. As such, it provides an appropriate empirical focus for this section. The official rationale for HIE offering grants and loans to business is based upon an identification of market failure as the cause of the economic problems of the Highlands.⁵⁴ The failure of capital markets, due to the perception that the region offered few opportunities for profitable investment, is particularly important in this respect (HIE, 1996b). The resultant lack of business finance has impeded economic development.

In terms of appraising individual applications for assistance, the Treasury offers substantial guidance, specifying key criteria in order to ensure 'value for money'. The specific documentary forms in which key criteria such as viability, displacement and additionality are inscribed can be seen as crucial material resources binding and stabilising institutional networks. They enable the day-to-day decisions of investment managers in local micro-sites to be linked to a centre of calculation like the Treasury (Barry *et al.*, 1996). While the use of these criteria is clearly bound up with a managerialist agenda emphasising the need to ensure 'efficiency' and 'value-for-money', they cannot be reduced to simple reflections of underlying neo-liberal rationalities. More accurately, they are the product of the ways in which neo-liberal state projects have appropriated and transformed pre-existing rules and norms. Criteria

such as viability and displacement were taken into account by the HIDB and their current role within the HIE network can be seen as result of the interaction between procedures inherited from the HIDB and the demands of the 'new managerialism'. One important way in which the latter acts upon LECs is through the audit practices discussed earlier. Characteristically, auditors inspect case papers and records to assess whether key criteria were taken into account in the appraisal process.

A key measure against which the effectiveness of the HIE Network is measured is job creation, and the primary consideration for LEC officials is the number of jobs that a project is likely to create or secure. This emphasis on a state agency's capacity to create employment reflects the importance of economic growth and development to the legitimacy of the modern state. On the FFB programme, a system of delegated authority is in operation with a structure of financial ceilings establishing which part of the Network has responsibility for allocative decisions (Table 5.3). Since the majority of cases are relatively small scale (under £30,000), they are dealt with at LEC level.⁵⁵ Many of these will be under the £30,000 ceiling, meaning that LEC staff make the decision on whether the project should be offered assistance.⁵⁶ Even for those cases that go to the board, officials carry out the appraisal, gathering a range of information in report form, complete with a recommendation for directors on whether or not assistance should be offered. The board's function is largely strategic, overseeing and monitoring progress against objectives and reviewing the policy priorities which frame allocative decisions.

Table 5.3. System of Financial Ceilings

Value of Funding Sought	Institutional Site With Decision-Making Responsibility
Under £30,000.	LEC Chief Executive
£30,000- £50,000	LEC board
£50,000- £100,000	Director of Network Operations (HIE)
£100,000- £250,000	HIE Management Group
£250,000- £500,000	HIE board
Over £500,000	Scottish Office

Source: SALE, *Business Plan 1994-5*; Senior HIE official.⁵⁷

The appraisal process works on the basis of information on cash flow, turnover, profit, funding sources, employment levels, etc., provided by the applicant through a formal business plan. LEC staff then calculate the likely number of outputs on the basis of this information. In this sense, individual businesses become 'objects' of regulation as soon as they apply for assistance. A large part of what HIE and LECs 'regulate' as development agencies is access to grants and loans. While the information supplied by the applicant shapes the appraisal process, the LEC case officer retains ultimate authority in calculating and recording the number of outputs:

Our investment managers agree with the client on Finance For Business, it's the only area, apart from LEADER, where we actually count jobs. We have to be convinced ... that the jobs being claimed by the applicant are in fact real, that they are not just plucked out of thin air. So if we put down on a Finance For Business form 2 jobs created and 1 retained the investment manager needs to be able to say I'm confident that that's achievable, and at certain times we discount what our client says and we only allow for a smaller amount if we think that's the real number.⁵⁸

This authority is rooted not in the individual official, but in the institutionalised rules and procedures that reflect both the accumulation of experience under the HIDB and requirements of central government. These give LECs the 'authoritative resources' required to calculate outputs as a basis for allocative decisions. For more significant cases, LECs will draw on the specialist expertise of HIE officials to calculate indirect and induced employment.⁵⁹ Given that it is perhaps the key target against which LEC performance is measured, the primacy of job creation / retention as an underlying criteria is fixed. Although LECs retain some discretion in deciding which projects to support, these decisions are structured by a business plan agreed in advance with HIE, thus situating them within broader categories used across the Network.

Although institutional rules and norms impose certain requirements on applicants, they are not passive actors in the process. In order to be considered for assistance, they must submit information on existing activities and future plans. The emphasis on business plans reflects the ways in which recent processes of state restructuring have sought to re-model the public sector according to private sector practices and norms. State resources are more or less accessible to individual applicants according to the strategies they adopt to gain assistance (Jessop, 1990b). Successful strategies are likely to be those that emphasise a project's potential to

address key concerns of state agencies like LECs. In this sense, LEC's objectives can be appropriated by business applicants and used as a bargaining tool in subsequent negotiations. One business manager felt compelled to emphasise the importance of his company to the local economy, using the LEC's tendency to publicise the business as a success story to lever further support:

We've had to work very hard at it ... Almost every week I've been doing presentations and on the phone to them every second week, just that so ... they can justify supporting us ... Now that we've got them trained ... I think we've convinced them that we're here to stay ... We try to do things in the local community too, and they're now using us as an example ... showing what can be done in places like this. They're always coming round here with people, every MP who comes up is shown this place.⁶⁰

In this sense, previous investments in an enterprise give LECs a stake in its continued success. This provides the managers of such enterprises with crucial resources in their efforts to gain further support. Such a capacity is clearly conditioned by the importance of the business to the local economy since it is only if a significant number of jobs would be threatened in the event of any difficulties that any real pressure can be exerted on a LEC. The perceived accessibility of LECs' resources to local residents seeking assistance seems to be an important factor influencing their credibility and legitimacy within local communities (see Section 7.4).

The Harris Tweed sector provides another example of how private operators can appropriate LECs' objectives as tools with which to negotiate support. Since its establishment in 1991, HIE has staked substantial material and symbolic resources in regenerating this declining industry.⁶¹ By this stage, the contraction of the processing side of the industry had left one company - Kenneth MacLeod (Shawbost), (the KM Group) - in a dominant position. HIE put together a funding package worth some £10 million over five years, investing £4 million of its own funds in combination with a similar level of EU funding and a smaller contribution from the private sector (WIE, 1992/3). This has been used to finance a shift from single-width to double-width looms in order to produce a lighter cloth in tune with market demand. The package enables weavers to purchase the new looms and the remaining mills to modernise. Given the changing structure of labour relations in the industry, however, this programme of investment has strengthened the position of the dominant private operator.⁶² The KM Group can harness the restructuring strategy to its own agenda,

while HIE's financial and symbolic commitment leaves it vulnerable to further demands for assistance given the continuing climate of uncertainty facing the industry. Consequently, the company can use this previous commitment to negotiate further support for its marketing efforts.

The emphasis on the number of jobs likely to be created by a project tends to discourage considerations of their quality and status. There is no explicit measure or target in the operating regime, in which all jobs of similar status (full time, part-time, seasonal) are counted equally, encouraging LECs to make job quality a key criteria shaping investment decisions. While LEC officials express their support for high-quality jobs, stating that this is taken into account at the individual project level, their conception of their role as one of 'enabling' the market limits their scope to impose standards. In response to the question of whether LECs took job quality into account, one official stated:

That's a tricky one that because theoretically whoever's coming in will pay the going rate or they won't get anyone working for them, but it's a major consideration, but it's difficult to tell ... without legislation being imposed, we'll only help you if you guarantee a minimum wage rate of whatever ... It is one I think where we have let market forces run with that, it's a very, very good question and I'm not really sure that we've got the answer to it at the moment.⁶³

This statement is informed by advanced liberal norms of limited government which work to constrain and channel government agencies' interventions in a self-regulating market (Rose, 1996a). In particular, it reflects the largely reactive nature of LECs' regulatory practices. Rather than going out and initiating projects themselves, LECs respond to formal applications for assistance. Furthermore, they are unable/ unwilling to influence the take-up of jobs among different social groups (unemployed manual workers, young people, women, etc.) since this tends to be regarded as something outwith the proper scope of LEC activity, best left to the sovereign employer. In the absence of any formal recognition of the importance of job quality, these considerations tend to be crowded out by narrowly quantitative targets which encourage a focus on short-term outputs. There are signs of change, however, with HIE recently announcing that it is considering making pay and conditions a key criteria influencing investment decisions (*WHFP* 7.5.98, 20.11.98). While this proposal seems to be part of HIE's efforts to adapt to the change of government in May 1997, it also reflects practical difficulties encountered by initiatives such as

Investors in People which seek to increase employees' commitment and skills without any corresponding effort to improve pay and conditions.⁶⁴

The aggregate job created/retained figures cited in LEC annual reports - used to measure progress against targets - are accumulated on a project-by-project basis through the year from investment managers' estimates of probable outputs. Since the claimed jobs figure is calculated in advance of the real processes of investment and growth which actually create jobs, however, it exists only on paper. For some observers, there is an underlying tendency for this method to over-estimate outputs:

I'm very cynical sometimes about some of the figures, I mean the job creation figures I think are inflated ... they're not inflated by malevolence or as a kind of con trick but ... inherently ... the way that they're calculated is over-optimistic ... Somebody ... says I want to build a factory or whatever, so you say to them okay, amongst many other things how many jobs are you going to create, they say well we're going to create 10, and so after much tooting and frothing 10 jobs goes down on the sheet as it were, and then that will go down in the Annual Report as 10 jobs created against the target of in our case of 200 or 150 or whatever it tends to be in any given year, and then that will in turn show up in the HIE figures of 3500 or whatever they are for the whole of the Highlands and Islands.⁶⁵

Other officials claim, however, that the figures are relatively accurate, citing evaluations which measured claimed jobs against actual by asking for information on employment levels from companies assisted. One showed that approximately two-thirds of claimed jobs had actually been created after taking into account additionality, displacement, linkage and multiplier effects (Begg *et al.*, 1997). Given the adverse economic conditions found in the Highlands, this fairly standard figure for business assistance initiatives is regarded as providing support for the programme.⁶⁶ Another way of monitoring the actual employment impact of the business support programmes involves aftercare systems. HIE does operate such a system, maintaining contact with assisted companies and requesting information at regular intervals, but only in the event of a major gap between expected and real outcomes would there be any investigation.⁶⁷

Another key criteria emphasised by LECs - closely related to employment - is the financial and business viability of the proposal. Through the FFB programmes HIE and LECs intervene in economic processes in an effort to change the behaviour of selected companies as 'objects' of regulation. In the terms of Begg *et al.*, (1997), HIE

aims to develop the 'enterprising behaviour' of companies by attaching conditions to the funding packages it offers. Specifically, it encourages a more strategic approach among businesses, equipping them to better identify emerging opportunities such as new markets or products. In this way, it can address its strategic objective of 'growing businesses' by boosting competitiveness and profitability. Again, the business plan is a key mechanism of intervention here:

It can actually change the structure of businesses quite radically because one of the key things you have to do, the only piece of paper that has to be written down ... is a business plan and many businesses don't have a business plan, so you suddenly confront them with this shock that they've got to plan where their business is going and that sometimes creates great internal upheaval, quite emotional stuff at times.⁶⁸

While this imposes requirements that are often at odds with the way small businesses in particular operate, the emphasis on commercial viability and sustainability is encouraged by measures of efficiency such as cost per job. HIE highlights its success in consistently reducing its cost per job figures, claiming to have halved the cost from that of the first year of operation.⁶⁹ This has been accompanied by a corresponding increase in the leverage ratio (the amount of private investment attracted to projects by LEC funding). While these figures represent conventional measures of success, they also express an underlying contradiction. Improvements in cost per job and leverage figures indicate that the private sector is creating jobs and that the initial market failure is being 'corrected'. In reducing the need for intervention, this clashes with the underlying logic of institutional reproduction that compels HIE to periodically justify its own existence (HIE, 1996b). For HIE to proclaim too loudly its success in cost per job terms, then, would be to also undermine the conditions for its own existence.

The emphasis on business viability has also fuelled criticism that LECs privilege narrow economic aims over broader social considerations.⁷⁰ This was one accusation levelled at HIE following its refusal to support the Harris Tweed weavers co-operative on the grounds that their plans were not financially viable (*WHFP* 30.5.97). These criticisms are not new: similar points were made about the HIDB's support for big business during the period of economic modernisation in the late 1960s and early 1970s. They reflect underlying structures of expectation (Paasi, 1991) which demand that development be focused on projects that benefit 'locals' rather than established business interests. For one LEC official, however, it is vital that

investment decisions are made according to commercial rather than social criteria; since businesses operate within a highly competitive market-place they need to be "successful in their own right".⁷¹ The role of a private-sector board is important in bringing an awareness of commercial disciplines and the conditions for business success. In practice, however, it is largely officials who apply these criteria in assessing cases, with only a minority of applications considered by the board and even then being structured by an officer's prior assessment.

The emphasis on displacement requires that case officers consider whether increased employment in the target company is likely to be at the expense of employment losses in another company (Begg *at al.*, 1997: 9). Displacement is likely to be highest where several businesses serve the same small local market. The effect of Treasury guidelines on displacement on the pattern of business assistance in the Highlands and Islands is that service-sector activities dependent on local markets (i.e. the retail sector) are ineligible for support.⁷² LECs routinely take the effects of displacement into account when making investment decisions, and for larger and more complex cases they are supported by the technical expertise of specialists within the HIE core. At the same time, however, officials insist that the way displacement is balanced out against other criteria leaves scope for individual judgment and discretion:

Well, displacement is a funny ... animal ... The purist would say you shouldn't fund it if there's any displacement ... or you should only fund according to the amount of displacement there is ... it's easier seen in things like pure retail ... In an outlying area ... we do assist what is a lifeline service ... but then that would be on social and economic grounds, not just economic grounds and because we've got social powers as well as economic powers we can make these decisions. We can actually ... tailor our assistance and the harshness or severity of our judgments on these things ... extreme cases are always easy, it's the ones in between.⁷³

This quote indicates that the guidelines on displacement are sufficiently flexible to allow officers to tailor decisions to the needs of particular local areas. In particular, there is scope for the rules to be relaxed to allow LECs to support 'lifeline' services in fragile areas. From the perspective of applicants and potential applicants, however, the scope for exercising local discretion is less apparent and the refusal to support certain sectors is a source of resentment, particularly since that same activity may be eligible for support in another LEC area (depending on local market conditions). Such resentment is fueled by the perceived lack of transparency surrounding rules on what

activities are eligible for support, leading to the circulation of conspiracy theories regarding the LEC's motives and potential conflicts of interest.⁷⁴ While rules on displacement ostensibly reflect the need to avoid stimulating duplication and competition in the 'real' economy, they also function as part of the internal ordering procedures of state bureaucracy.

Another condition which LECs are required to take account of in making investment decisions is additionality. This refers to the need to ensure that LEC funding is additional, meaning that the project couldn't go ahead otherwise (full additionality) or couldn't proceed according to the same time-scale or on the same scale (partial additionality). To the extent that these guidelines are designed to protect taxpayers' money and to ensure that investment has maximum impact, they reflect underlying managerial rationalities. The emphasis on additionality is again informed by neo-liberal norms stressing the need to limit intervention and ensure that institutions confine their activities to the correction of market failures. One way in which this principle is operationalised is through exit strategies, the importance of which has been heavily stressed by government guidelines:

We are not in the business of continuous subsidy, that's the first thing, we are not a subsidy operation, we're a development operation, that means we will go for exit routes ... Now there is a great deal of debate what these exit routes should be, traditionally they're 3 years or shorter ... I'm sure there's a debate in there some place about what ah the appropriate strategy should be, but given the fact ... that we have a 5-year parliamentary cycle, we are agents of government, it would be unlikely that we would ever go beyond 5 years.⁷⁵

The stress on not being a "subsidy operation" draws upon embedded norms of limited intervention to construct an appropriate role for HIE. Exit strategies avoid subsidy by requiring LECs to specify how they will withdraw from a funding commitment in advance of them making the actual commitment. Typically, this involves funding projects at declining annual rates of assistance (50 per cent the first year, 25 per cent the second year, etc.). Another aspect of this need to avoid offering "subsidy" is the characteristic refusal to support the revenue costs of a project, designed to ensure that it is commercially viable from the outset.

As earlier observations suggested (p.144-46), applicants' capacity to meet the demands of the appraisal process vary. This follows from the principle of strategic

selectivity. This holds that the interventions of state agencies will tend to favour the interests of some groups over others, though the eventual outcome will tend to be shaped by the strategies adopted by those groups (Jessop, 1990b; 1997b). Generally, business representatives saw LECs' decision making processes as highly structured, forcing applicants to work with a series of elaborate rules and regulations.⁷⁶ While these affect all applicants, small businesses tend to find the process particularly demanding:

A lot of it's to do with the means of approach ... A lot of small businesses tend to say when they go the LEC looking for assistance, this is what I want to do and I want to do it tomorrow, that's the way they think ... The key seems to be to get their approval before you do anything at all and a lot of small businesses just don't operate like that, they see things like business plans as a waste of time, they say they have just have a hunch, a gut feeling that this will work, well that won't work with someone who has to justify himself to the Audit Commission ... For the systems they work to at the moment you need professional business planning, to do that you need all the specialist advice, the consultants, the accountants, small businesses just don't have these people, big businesses will have a finance department, accountants ... all these specialists, that's what they do.⁷⁷

In this sense, appraisal practices seem to be 'biased' towards the interests of larger businesses. Small business lack the organisational and financial resources to put together the detailed outputs and projections required in business plans. The effects of this would seem to undermine HIE's strategic emphasis on stimulating growth among small-to-medium enterprises. It is also one of the factors fueling fairly extensive criticism of the enterprise networks within the small business community (FSB, 1996). Smaller businesses tend to be disproportionately concentrated in sectors that are not eligible for assistance (such as retail and local services), and the broader structure of state support for industry seems to be orientated towards larger businesses who can promise to employ significant numbers in single investments and find it easier to meet displacement and additionality criteria.⁷⁸ This deep-rooted perception is reflected in the FSB's plans to lobby the Scottish parliament to make major changes to the operations of the enterprise networks (*Scotland on Sunday*, 18.10.98).

This section has shown that there a number of underlying principles or norms framing LEC's investment decisions. While criteria such as viability, displacement and additionality can be seen as part of a managerialist agenda that constantly 'responsibilises' local actors to the claims of the centre, they have, in common with practices of audit and targeting, been institutionalised within the routine procedures of

the HIE network. This internalisation means that it would be mistaken to claim that these principles allow central government to exert control 'at a distance' (Rose, 1996a). While these rules increase the centralisation of the operating regime by providing the categories which structure routine decision-making processes, HIE and LECs do have some flexibility to adapt them to the needs of local areas.

Much of this flexibility stems from the sheer difficulty of delimiting 'displacement' and additionality in the face of changing local conditions. In the absence of any knowledge of what would have happened if a project had not been funded, additionality is notoriously difficult to assess. Consequently, virtually all forms of assistance carry an element of 'deadweight' - the proportion of a package that was not required because either the investment would have taken place in any case or more finance was provided than was necessary to produce subsequent benefits (Begg *et al.*, 1997: 9). And, as the quote on page 154 suggests, assessing displacement is often difficult in practice: most cases involve some displacement. While assessments of the significance of these criteria in the light of local conditions characteristically deploy calculative procedures, decisions ultimately depend on the qualitative judgments of the relevant case officer (see Table 5.3). The requirement for them to weigh up these criteria against one another when undertaking appraisals is, in itself, a source of flexibility. It relies upon accumulated local knowledge and technical expertise, much of it inherited from the HIDB. Given that central authorities lack this local knowledge, this gives HIE the capacity to adapt central guidelines to its own agenda. LECs work within a context of structured flexibility: while the government's and HIE's dependence on them to apply underlying principles to particular local contexts gives them some scope to address their own priorities, their decisions are nonetheless directly structured and regulated by institutional rules and procedures.

5.5 Conclusion

If you tell businessmen they're in charge they're dim enough to understand that's what you mean whereas what you really mean is you're in charge old boy but you're still under the Treasury's control and HIE are going to hold the purse strings, and after a while even the dimmest of them seemed to realise that that's what had happened ... I think there was a genuine feeling at one point that the LECs had been told by people like Ian Lang basically ... you're in charge and civil servants had gone around telling them you've got enormous responsibility and power. The

reality was that they were going to be held to account by HIE who in turn were going to be held too account by Scottish Office who therefore weren't going to let them too far off the leash.⁷⁹

In the early days particularly there was a lot of tension between LECs generally and HIE ... What has undoubtedly happened over the years is that the LEC are today more under the control so to speak of HIE than was initially envisaged by I think many of the people who got involved. I mean today I think most people at the LEC level have accepted that, some more reluctantly than others, but they have on the whole accepted it and it now goes along fairly smoothly, but in the early days it kind of caused quite a bit of tension.⁸⁰

This chapter has attempted to detail the mechanisms linking local and regional institutions to central government, pointing to the importance of technologies of government such as audit, targeting and financial controls in imposing a managerialist agenda on the Network. While leading actor-network theorists take power as an outcome rather than a cause of action (Latour, 1986, 1997; Callon, 1986), the evidence presented in this chapter questions this distinction, suggesting that power is both outcome *and* cause. The inheritance of 'authoritative resources' from the HIDB has structured the 'power geometry' (Massey, 1991) of the HIE Network since 1991. As a result, it is misleading to talk of a relatively centralised operating regime enabling the centre 'to govern at distance' (Rose, 1996a; Rose and Miller, 1992). Rather, the institutionalisation of underlying managerial norms within routine practices reflects a merging of internal and external (neo-liberal) rationalities. For LECs, as the above quotes suggest, this means that the regulatory process is characterised by its immediacy rather than distance. It is HIE, not central government, that is perceived to be 'in control'.

HIE's 'authoritative resources', rooted in the technical expertise and local knowledge inherited from the HIDB, gives it some scope to adapt and 'translate' central measures to its own distinct purposes. Its adherence to a needs-based formula for allocating funds to LECs in the face of central pressures to make funding reflect performance provides evidence of this process of translation as does the existence of mechanisms that enable local priorities to be incorporated into strategic frameworks. This capacity for translation is a product of the centre's dependence on the HIE core's technical expertise and local knowledge in order to legitimately govern the Highlands within the confines of a liberal political order. Perhaps the key theme is that of integration, referring to the close contact and cooperation between HIE and LECs, manifest in terms of strategy formulation and implementation, funding allocation and

project appraisal. While, as the above quotes indicate, the distribution of power across the HIE network certainly undercuts the localist rhetoric that accompanied the LEC initiative, local-regional integration ensures a reasonable level of flexibility in addressing local issues. This 'structured flexibility' tends to be exercised by key officials (state managers) through routine practices rather than business representatives, demonstrating that the input of LEC directors is channeled and constrained by structures of state organisation. The role of key managerial technologies in enabling the centre to monitor and steer the network provides empirical support for Jessop's recent observations on local governance. It points to the continuing importance of hierarchical structures, demonstrating how local / regional governance in the Scottish Highlands continues to be underpinned by government (Jessop, 1997c, 1997d).

While the creation of LECs was part of a broader state project designed to breach bureaucratic 'enclosures' in the public sector and create specialist agencies to deliver Conservative policy, more recent initiatives have encouraged 'partnership' as an institutional framework for economic development (Peck and Tickell, 1994b; Bailey *et al.*, 1995). The next chapter pursues the theme of local initiative by examining the dynamics of partnership in the Scottish Highlands, focusing on the relations between HIE/ LECs and local authorities. It considers how underlying power relations structure actual partnerships, and assesses how they are shaped by the underlying tension between centralisation and decentralisation. Chapter six thus examines the role of LECs within the broader institutional structures of governance in the Highlands, specifying how the 'authoritative resources' of the HIE Network are operationalised and put into practice through partnerships.

Notes

¹ LEC director, interview 5.8.97; former HIE official, interview 7.11.97.

² As chapter four showed, the HIDB gradually adopted a more market-friendly approach during the 1980s.

³ The privileged role of the private sector was one of three key principles stressed by the Scottish Office in formal letters of strategic guidance. The other two were local decentralisation to LECs - addressed through a major programme of decentralisation

to LECs in 1992/93 (Section 4.5) - and the need to minimise bureaucracy by dealing with cases and inquiries quickly and efficiently (Scottish Office official, interview 18.12.96).

⁴ On this last point, see the earlier quote by a former HIDB board member and HIE official (Chapter four, p.107).

⁵ This term is adapted from Pat Hudson's critique of orthodox interpretations of the industrial revolution (Hudson, 1989).

⁶ These were: to increase incomes; to increase the profitability of private businesses; to improve training and learning opportunities; to create the conditions for long-term sustainable economic growth; to strengthen and diversify the economic base of local areas; to improve the attractiveness of the region's heritage; to develop social and community facilities and maintain cultural values (HIE, 1991a).

⁷ HIE official, interview 25.11.96.

⁸ European Programme official, interview 19.11.96, see Section 6.3.3.

⁹ Scottish Office official, interview 18.12.96.

¹⁰ HIE official, interview 14.11.97.

¹¹ HIE official, interview 14.11.97.

¹² This degree of generality is in many respects necessary since a strategy's effectiveness is partly dependent on its capacity to appear acceptable to a broad range of interests.

¹³ HIE official, interview 25.11.96.

¹⁴ Senior LEC official, interview 12.3.97.

¹⁵ LEC official, interview 26.3.97.

¹⁶ Interview 5.3.97.

¹⁷ Senior LEC official, interview 12.3.97.

¹⁸ LEC official, interview 31.7.97.

¹⁹ Though HIE would argue that it is only by attracting investment and stimulating confidence that such problems can be addressed.

²⁰ Local business manager, interview 21.5.97; also local business proprietor, interview 30.5.97.

²¹ Senior HIE official, interview 1.11.96.

²² Local business proprietor, unrecorded interview 30.5.97.

²³ Local business manager, interview 8.7.97; local development agency official, interview 30.7.97; local councillor, interview 30.7.97.

²⁴ While some respondents tended to suggest that public criticism of LEC bureaucracy and red tape was often a product of critics' lack of involvement in terms of seeking assistance or advice, representatives of community groups and businesses who had been directly involved also portrayed LEC procedures as heavily structured and cumbersome.

²⁵ Former HIE official, interview 7.11.97; HIE official, interview 14.11.97.

²⁶ Former HIE official, interview 7.11.97.

²⁷ Informal conversation with LEC official, August 1998.

²⁸ Senior LEC official, interview 12.3.97.

²⁹ Indeed, the lack of input from local authorities in particular has been a source of tension between them and HIE (see chapter six) (HIE official, interview 14.11.97).

³⁰ See Section 4.5.

³¹ In addition to core government funding, HIE is also able to generate funds from receipts from activities such as property rentals and loans to individual businesses. In the financial year 1996-7 out of total funding of £74.9 million, £59.1 million took the form of Grant-in-Aid and the remaining £15.8 million was generated from receipts (HIE, *Sixth Report*: 3).

³² Scottish Office official, interview 18.12.96.

³³ Scottish Office official, interview 18.12.96.

³⁴ HIE official, interview 14.11.97.

³⁵ HIE official, interview 14.11.97.

³⁶ Senior LEC official, interview 26.6.97.

³⁷ LEC official, interview 30.7.97.

³⁸ LEC official, interview 12.3.97; senior HIE official, interview 13.11.97.

³⁹ One effect of the establishment of LECs as autonomous bodies has been to make the allocation of funds to local areas more open than under the old centralised system. While the HIDB did not release figures on where its funds were spent, fuelling accusations of secrecy, information on LEC funding is publicly available and accessible (LEC director, interview 7.7.97).

⁴⁰ Senior HIE official, interview 13.11.97

⁴¹ LEC official, interview 14.5.97.

⁴² This is a key executive forum, below the HIE board level, which directs operations across the network. It is made up of the Directors of the main divisions of the HIE core and meets weekly to decide on applications for assistance at a certain financial level (Table 5.3) and discuss strategic and operational matters.

⁴³ See Section 4.5.

⁴⁴ LEC official, interview 26.3.97.

⁴⁵ LEC official, interview 26.3.97.

⁴⁶ Scottish Office official, interview 18.12.96; HIE official, interview 14.11.97.

⁴⁷ HIE official, interview 14.11.97.

⁴⁸ LEC official, interview 6.3.97.

⁴⁹ LEC official, interview 5.3.97.

⁵⁰ LEC official, interview 6.3.97.

⁵¹ HIE official, interview 14.11.97.

⁵² Senior HIE official, interview 1.11.96.

⁵³ LEC director, interview 5.8.97

⁵⁴ The wider role of HIE is supported by a broader analysis of the situation which also stresses the importance of factors such as distance from markets and high transport costs as constraints on growth (see IDS, 1987).

⁵⁵ A range of business start-ups and expansions are eligible to seek assistance through FFB.

⁵⁶ Generally, grants now form the main form of assistance, preferred to loans because lower commercial interest rates make HIE loans less competitive. Also, grants are thought to enable LEC to have a greater impact in putting together a funding package and levering in private funds whilst avoiding some of the financial and legal costs associated with loan funding (LEC official, interview 6.3.97; Senior LEC official, interview 26.6.97).

⁵⁷ Interview 13.11.97.

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- ⁵⁸ Senior LEC official, interview 12.3.97.
- ⁵⁹ Indirect employment is the employment created in supplier firms as an effect of the increased level of purchases by the target company. Induced employment derives from the increased spend stemming from the increase in aggregate incomes as a result of employment growth in the target company (the income multiplier). (HIE official: Interview 14.11.97).
- ⁶⁰ Local business manager, unrecorded interview 7.8.97.
- ⁶¹ The Harris Tweed industry is concentrated in rural Lewis, involving approximately 400 independent weavers as well as the mills in which the tweed is prepared and finished.
- ⁶² This issue has been highlighted by a number of controversial episodes, most notably HIE's refusal to assist a weavers' co-operative that had been set up on the grounds that its proposals were not financially viable and the conflict over the 'Premier Weavers' scheme which the KM Group introduced in an attempt make weavers sign personal contracts undertaking not to undertake work for any other company.
- ⁶³ LEC official, interview 14.5.97.
- ⁶⁴ Local business proprietor, interview 30.5.97.
- ⁶⁵ LEC director, interview 7.7.97.
- ⁶⁶ HIE official, interview 14.11.97.
- ⁶⁷ LEC official, interview 14.5.97.
- ⁶⁸ Senior LEC official, interview 12.3.97.
- ⁶⁹ Senior HIE Official, interview 13.11.97. The published figures do not, however, support this claim. They do show a steady decrease in the cost per job achieved, but only from £3,200 in the 1991/2 to £2,700 in 1996/7. However, this latter figure is approximately half of the 1991/2 target, £5,500 which was hugely exceeded (£3,200).
- ⁷⁰ Senior council official, interview 23.9.97.
- ⁷¹ Senior LEC official, interview 12.3.97.
- ⁷² Senior HIE official, interview 13.11.97.
- ⁷³ Senior HIE official, interview 13.11.97.
- ⁷⁴ Senior Council official, interview 23.9.97. A typical example would be the claim that a project wasn't supported because it threatened to compete with an enterprise in which a LEC director, or a relative or friend of a director had a stake.
- ⁷⁵ Senior HIE official, interview 13.11.97.
- ⁷⁶ Council official, interview 5.3.97; Council official, interview 21.5.97; Local business manager, interview 21.5.97; Local business proprietor, interview 27.5.97; Local business proprietor, interview 30.5.97; Community activist, interview 27.5.97; Senior council official, interview 23.9.97.
- ⁷⁷ Local business proprietor, unrecorded interview 27.5.97; also local business proprietor, interview 4.7.97.
- ⁷⁸ Local business proprietor, interview 30.5.97.
- ⁷⁹ Former HIE official, interview 7.11.97.
- ⁸⁰ LEC director, interview 7.7.97.

Chapter 6

Partnership in Practice: The Effects of State Restructuring on Inter-Organisational Relations

6.1. Introduction

In recent years, the concept of 'partnership' has assumed increased significance, becoming the subject of inter-party consensus (Bailey *et al.*, 1995). Following the impact of earlier reforms in fragmenting the public sector through the creation of specialist agencies and initiatives, national and European funding initiatives have promoted partnership as a means of organisational co-ordination (see Chapter one: 7-8). This chapter examines this phase of policy development. It explores the practice of partnership in the Scottish Highlands and assesses how specific examples have been structured and conditioned by underlying power relations between key agencies.

While Chapter four examined the design and establishment of LECs and TECs and Chapter five concentrated on the internal shaping of the HIE Network, this chapter focuses on how LECs have adapted to the local political environments within which they operate (Peck, 1992; 1993; Bennett *et al.*, 1994; Hart *et al.*, 1996; Haughton *et al.*, 1997; Jones 1997b). State initiatives have constructed partnership as a set of formal relationships requiring new institutional arrangements, but much recent research suggests that the success of such initiatives depends on the quality of informal relations between local agencies and interests. Drawing upon a 'socioeconomic' perspective that stresses the importance of trust and 'institutional thickness' as conditions for economic success (Amin and Thrift, 1994a, 1995; Storper, 1995, 1997), this chapter assesses how formal partnership arrangements are shaped by informal relations between organisational actors.

Broadly, the chapter argues that while informal relations shape the success of partnerships, it is more difficult for the state to encourage and nurture partnerships in

this relational sense. The next section locates the rise of partnership within the wider context of state restructuring, and clarifies the distinction between partnership as formal structure and partnership as informal relations. A third section considers inter-organisational relations at a regional level, and assesses the Highlands and Islands Objective 1 programme as a specific example of partnership. The fourth section focuses on local partnerships, identifying key factors shaping relations between LECs and local authorities before the conclusion summarises the main arguments.

6.2. The Rise of Partnership and the Re-figuring of State Regulation

While local practitioners have long practiced partnership by working closely with other organisations, its recent promotion by the central state and the EU has given partnership a new prominence. Indeed, there is a sense in which local actors efforts have been appropriated and re-packaged as the basis of a new 'way forward', as *the* model for local economic development (Syrett, 1997).

The emphasis on partnership and coordination was first manifest in City Challenge, and then more importantly through the introduction of the Single Regeneration Budget (SRB) as the primary means of securing urban regeneration in 1993/4 (Bailey *et al.*, 1995: 64-67; Jones and Ward, 1997; Ward 1997). This brought together 20 initiatives stretching across four separate government Departments - themselves to be subject to local integration by the formation of 10 Government Offices for the Regions (Bailey *et al.*, 1995: 68-70). For Stewart (1994: 143-4), the 'new localism' which initiatives such as the SRB encourage is based on three key elements. First, while partnership is justified in terms of its capacity to increase co-ordination and integration, in practice it involves a *managerial localism* based on detailed output measures and the development of sophisticated monitoring techniques. Second, it encourages a *competitive localism* which forces localities to adopt place-marketing strategies to attract investment and gain access to diminishing central resources. Third, in bringing together different local organisations and interests to bid for funding, recent initiatives encourage a *corporatist localism* which tends to distance policy-formation from the democratic process.¹ Typically, these elements come

together in the form of 'boosterist' discourses as partners conceal internal differences beneath a unifying rhetoric in order to attract external funds and investment (Ward, 1997).

While partnership is a long-stranding theme of urban policy, what is of most interest is its current 'export' to other policy areas. After announcing the formation of the Scottish Rural Partnership, made up of a national and local rural partnerships, in the 1995 Rural White Paper, the Scottish Office launched a Rural Challenge Fund early in 1997 (Scottish Office, 1995; 1997a), designed to encourage local people, working through newly-formed partnerships, "to draw up a range of projects which find new ways to tackle particular local problems or to create a wider range of opportunities in rural areas" (Scottish Office, 1997a: 2). It is based upon a competitive bidding process which effectively forces local partnerships to compete for limited central funding.

The apparent agreement on 'partnership' as the most appropriate model of local economic development tends to conceal substantive differences between key interests over particular structures and strategies. The ambiguity and elasticity of 'partnership' as a concept allows these differences to be masked beneath a veneer of consensus and 'boosterism' (Ward, 1997; Syrett, 1997). 'Partnership' is attractive to politicians not only for its capacity to diffuse responsibility among an array of actors, but also because of its utility as a mechanism for incorporating other sources of finance and expertise (Bailey *et al.*, 1995: 39). In this sense, 'partnership' is bound up with the restructuring of the state. A model of partnership designed to enhance the self-regulating properties of local communities by involving local interests and organisations in the process of governing represents an active phase in the on-going dis-engagement of the state from welfare (see Scottish Office, 1995; Bryden and Mather, 1996; Rose 1996a; 1996b; Murdoch, 1997).

The rural White Paper's rhetoric of 'community' reflects the influence of contemporary neo-liberal governmentalities in engineering this retreat from welfarism and social democracy in favour of a process of 'governing through community' (Rose,

1996a; 1996b; Murdoch 1997). Instead of seeking to equalise provision across a nationally-defined countryside, the Conservative government stressed the need to conserve and promote the self-regulating capacities of rural communities:

"Our rural communities have a rich and varied life which has to be celebrated. The mood in much of the world is to recapture the diversity of our many different communities ... as a way of re-invigorating rural life ... This document outlines a general policy framework which enables rural communities to move forward. We are determined that the people of these communities should be enabled to take control of their lives, with the assistance of networks of experienced organisations, to meet challenges and secure the opportunities (Scottish Office, 1995: 31).

While, on one level, this celebration of difference amounts to little more than a recognition of diversity and a desire to allow local groups to determine their own priorities, it is, on another, structured by a discourse of dis-engagement, by assumptions that limit the legitimate object of government to that of 'enabling' and 'supporting' (Murdoch, 1997). 'Partnerships' are important because they represent a means of involving rural communities in governing themselves, by enabling them to take the initiative whilst at the same time retaining the support and expertise of a "network of experienced organisations".

The rhetorical power of the term 'partnership' is, like that of 'enterprise' and 'community', rooted in the positive connotations it has acquired within established linguistic frames of reference. Government policy tends to represent partnership as an unambiguously positive development, implying relations of mutuality and equality between agencies as resources are pooled, ideas shared and understandings developed (Peck and Tickell, 1994b). While the emphasis on community involvement and representation is crucial in justifying and legitimising partnerships, an unacknowledged silence continues to surround questions of democratic legitimacy and local accountability (Peck and Tickell, 1994b). By removing policy from formal political institutions, the neo-corporatist arrangements associated with partnership encourage a blurring of interests and organisations that confuses issues of accountability and representation (Stewart, 1994: 143-4). Given the key role of unelected agencies in particular, there is a need to challenge the rhetoric of inclusion and equality which constructs partnerships as a pragmatic and politically neutral response to economic and social change (Syrett, 1997: 104).

The previous chapter's emphasis on HIE's scope to develop strategic initiatives and adapt central initiatives raises questions about how this relative autonomy is operationalised through partnerships. It argued that this autonomy is grounded in the concentration within the HIE core of certain 'authoritative' resources derived from the combination of technical expertise and local knowledge inherited from the HIDB. Emerging institutional arrangements based on partnership are distinctive to the extent that they seek to create a broader base of expertise by integrating the specialist knowledges of individual agencies. More interestingly, partnerships often attempt to enhance state capacity by incorporating and 'governmentalising' (rendering them practical and technical) the less formal local knowledges of groups beyond the boundaries of the state itself (i.e. community groups and the voluntary sector).

While central policy initiatives tends to construct partnerships as formal institutional arrangements, there is a sense in which they depend upon the informal relations developed through routine practices. On this issue, recent 'institutionalist' work on the extra-economic conditions for regional growth in a global economy provides some useful insights (Amin and Thrift 1994a, b, 1995; Storper, 1995; 1997).² Amin and Thrift introduce the central concept of 'institutional thickness' in an effort to direct attention to the social and cultural factors underpinning regional growth. Four levels of 'institutionalisation' are identified: the number of key institutions present; the degree of inter-institutional interaction; the formation of coalitions; and the development of a common agenda incorporating key institutions and actors (Amin and Thrift 1994a). The main claim here is that the development of institutional thickness through informal interactions generates legitimacy and 'nourishes' trust, seen as critical factors in local economic development. The pool of collective resources formed by this process of institutionalisation facilitates entrepreneurship and innovation. Similarly, Michael Storper refers to these extra-economic conditions as 'untraded interdependencies', rooted in the routine relations and conventions that bind organisations together in place, arguing that they hold the key to the 'resurgence of regional economies' (Storper, 1995, 1997). He defines the conventions that frame economic action as "taken-for-granted rules and routines between partners in different kinds of relations defined by uncertainty" (Storper, 1995: 208). What these studies

suggest is that the quality of routine institutional interactions is at least as important as formal structures and arrangements in shaping the success or failure of partnerships. This chapter investigates this issue, focusing on how underlying relations between organisations influence the development of partnerships.

Before considering the dynamics of partnership in detail, it is necessary to offer a working definition. While its elasticity and fluidity explains much of the current popularity of 'partnership', this does not remove the need to specify what is being referred to by the use of the term in the following analysis. Following Bailey *et al.*, (1995: 27), partnerships are defined here as the "mobilisation of a coalition drawn from more than one sector to prepare and oversee an agreed strategy for the regeneration of a defined area". In addition, this definition incorporates Mackintosh's emphasis on "additional social benefit", which precludes initiatives designed to meet purely commercial objectives (MacKintosh 1992: 211-12). In the context of the Highlands, I interpret this as excluding joint-funding packages for business development. The emphasis is on institutional arrangements designed to formulate proposals for the development of a defined area, either the region as a whole or a more localised area.

The following sections examine how the practice of partnership in the Scottish Highlands is conditioned by wider processes of state restructuring. The analysis assesses the importance of informal contact and interactions in shaping the effectiveness of formal institutional structures. The next section examines the development of strategic relations and partnerships at the regional level.

6.3. Shaping Regional Partnerships

6.3.1 Structures of Regional Governance

While the construction of the Highlands as a 'problem' region has led to a plethora of specialist agencies being established to promote regional development in the twentieth century, the combined effects of strong lines of accountability to central government and a certain lack of local capacity and initiative have tended to work against the development of effective partnerships (Magnusson, 1968). Given this lack

of coordination, organisational actors have been unable, in Amin and Thrift's (1994a) terms, to convert a strong institutional presence into 'institutional thickness' through sustained interaction and the development of a common agenda. Nonetheless, individual organisations have tended to promote the distinctive identity of the Highlands and the corresponding need for special policy solutions to engineer their survival against external interference.

This distinctive regional identity is reflected in the practice of local politics, coloured by particular local conventions and norms. Local government in the Highlands has long been shaped by a tradition of political independence (Dyer, 1978). An established discourse of public service represents independent councillors as in tune with local needs and party politics as somehow inappropriate and 'unlocal':

I remember one councillor speaking about another and he insulted him by calling him a politician because ... I mean there's a strong tradition of independence here, someone being political with a big P is deemed to be not quite right, it's the incursion of the nasty party political system.³

While most councillors continue to stand as independents, in recent decades local government in rural areas such as the Highlands has been transformed by processes of institutionalisation and professionalisation (Woods, 1997a). Local government has become an increasingly contested and fragmented terrain as processes of socio-economic change bring new pressures to bear on established social and political relations. Broadly, state managers appear to have acquired increased power at the expense of local representatives in local government.

LECs were established in a period of two-tier local government, based on a division of functions between regional councils with strategic responsibilities and district councils responsible for local service provision (Section 3.3.3). The corporatist origins of this system aroused Conservative suspicions, leading them to propose re-organisation (Scottish Office, 1991). The government drew upon notions of the 'enabling' authority to argue that smaller, single-purpose Councils should replace large regional councils (Scottish Office, 1992). In the Highlands, HRC seized the initiative, arguing the case for a single unitary authority for the region (HRC, *Minutes of Meeting* 11.7.1991). The Conservative government was ultimately

persuaded by this argument and the White Paper, published in July 1993, proposed the creation of a single Highland Council (Scottish Office, 1993). Consequently, the outcome of local government reform in the Highlands was markedly different from the rest of Scotland.⁴ This reflects a situation in which the government's political agenda of breaking-up the Labour-controlled regions was less applicable to Highland councils' dominated by an independent tradition.

One of the conditions attached to the government's support for a single Highland Council was the implementation of an extensive decentralisation scheme (HRC, 1993). Accordingly, the council works through area units - based on the eight districts - with a core of key officials serving Area Committees which involve all local councillors across the main services (Highland Council, 1996a). Although this two-tier structure parallels that of the HIE Network, each institution continues to function separately. While chapter five showed how HIE's official strategy functioned as a framework structuring service delivery, it is clear that Highland Council's Operational Plan offers even less in the way of strategic appraisal, acting as more of a guide to the types of financial support available (Highland Council, 1996b, 1997). There also seems to be little 'strategy' or planning framing the Western Isles Council's (WIC) delivery of economic development services. The Highland Council's protest at the lack of consultation regarding the development of HIE's current strategy is symptomatic of this lack of strategic integration (Scottish Office, 1996).⁵ In a contribution no doubt inspired by the perceived opportunity for re-casting the organisational relations arising from the change of government in May 1997, the convener of Highland Council criticised the degree of institutional separation created by the current structure (Peacock, 1997). Such institutional separation at the policy level is balanced, however, by a number of project-based partnerships, a situation characteristic of the current state of local governance in Britain (Hay, 1994). The two key partnerships involving HIE and local authorities at the regional level are centred on the Objective 1 programme and the University of the Highlands and Islands (UHI) project. They clearly involve formal institutional arrangements, but, as analysis of the former demonstrates (Section 6.3.3), their effectiveness is strongly dependent on the quality of the informal relations between key partners.

6.3.2. Institutional Roles and Rivalries

Partnership is the in word ... you almost have to jump on a bandwagon ... but actually you've got to go into them very carefully, it's got to satisfy the objectives of the individual partners as well as the collective objectives of the partnership and see if it's stronger with joint working or if it would be better with just individual agencies working, you shouldn't just automatically set up a partnership ... Often it does work if everyone knows their role, but others are more automatically set up ... it's not just a panacea it's sometimes seen as ... Partnerships work if there's common objectives, if everybody agrees a focus and it achieves their individual objectives as well ... but if there's not common objectives or individual partners don't feel that they have an equal share then that's when things go wrong.⁶

For this official, partnership has become an "automatic" response to local economic problems. The quote suggests some crucial pre-conditions of effective partnership working, stressing the need for initiatives to meet the objectives of individual partners, for organisational roles to be defined in advance, and for common objectives. It also implies a need to avoid internalising unequal relations between partners within partnerships.

This section assesses whether relations between HIE and local authorities promote the informal co-operation required to develop shared objectives and define clear organisational roles. Inter-organisational relations have been shaped by state restructuring, a process that established HIE as the favoured institutional channel for the delivery of economic development policy whilst imposing considerable financial and operational constraints on local authorities. This produces resentment among Council representatives who feel that their efforts go unrecognised:

I think under the previous government ... the Enterprise Network ... were definitely the blue-eyed boys and ... we were perceived as the old bureaucratic dinosaurs that ... had to be kept at arms length ... the Enterprise Network was the engine of renewal in the Highlands and Islands.⁷

The fact that LECs are not required to consult local authorities over their business plans and strategies while councils are forced to consult LECs over their economic plans seems to reflect a basic inequality in the relationship (COSLA, 1995; Scottish Office, 1996). It was this sense of being an unequal partner that prompted local authority calls for a restructuring of the system in the run-up to and aftermath of Labour's General Election victory in May 1997. Council personnel argue that LECs' orientation towards central targets can discourage partnership working which would require them to share the credit for achieving specified outputs.⁸ Inward investment is one source of tension in this respect, with councils claiming that HIE is unwilling to

involve other agencies in projects because it needs to accumulate "kudos" by announcing x number of new jobs for the Highlands.⁹ On the other hand, HIE and LEC personnel tend to dispute councils' track record in economic development and remain sceptical of councils' capacity to make commercially viable decisions.¹⁰ In many ways, then, the unequal relations which underpin formal structures of local governance fuel informal tensions.

When considering inter-agency relations in the Highlands, however, several respondents drew a distinction between operational and political levels:

The conflicts are all at policy level and what goes on there ... but it doesn't work through to the service on the ground ... It's difficult politically and it's individuals at that level and when you've got individuals you get personality clashes ... I think our people work very closely with the LECs in all the areas, relations are very good ... It's all at the policy level that the conflicts are, it doesn't come out in the delivery of services at all.¹¹

The staff from all the local agencies work together day in, day out ... I think there are certain tensions at senior level, and the local Councils have an economic development unit as well, and sometimes there may be a perception that we should be working more closely ... The senior officials may think that, but in the real world on a day-to-day basis we work very, very closely with each other all the time.¹²

From an official perspective, this distinction serves to push the tensions into the background as 'political', as somehow 'up there' and not affecting informal co-operation on a day-to-day level. The first quote particularly stresses that 'political' tensions do not affect the delivery of services to 'clients' in the sense that agencies still co-operate to put funding packages together, while the second stresses the reality of routine co-operation. The fact that all public agencies are confronted with increasing resource constraints is an important factor encouraging partnership.¹³ By combining funds, agencies can maximise their impact and 'additionality'. Both HIE and Council representatives were strongly aware of how cooperation and communication were necessitated by limits on individual agencies' powers within a plural system of local governance.¹⁴ They stressed the basic complementarity between the roles of the HIE Network and local authorities with the former often better placed to provide the finance while Councils can offer guidance on planning requirements and pull in other services providing infrastructure for development.

While overall strategic integration remains limited, there have been some

sectoral strategies developed through partnerships. For instance, HIE, the Highlands of Scotland Tourist Board (HOST) and Highland Council worked together to produce the *Highlands of Scotland Tourism Strategy*, launched in August 1997. For one key official, these formal documents give some basis for co-operation but do not guarantee success without individual effort:

I think having the ... structure of national, regional and local policy documents is a good basis for keeping people together, and building a system of regular liaison, contacts, is again another ... safety net to make sure that things actually do happen, but the real engine for keeping it all going is efforts at individual level ... Unless you have the key players prepared to make the effort to work together and keep in contact, the structures alone wouldn't deliver ... You've got have the parameters set by the structures and that also gives you a fall back, if you do have individual failures at least something does happen, but it does happen a lot better if you've got good individual working relations and these don't just happen by accident, they've got to worked for ... Knowing the ... way different agencies work is quite important, to be able to visualise things from their point of view ... things like cross-membership of boards can be a help there ... Although the Highlands is a big area, it's an area where personal networking is well established and contacts tend to be very good there compared to other parts of the country and that does work in our favour, as long as it's not taken for granted and still put the effort into it. But it's one of the great benefits of the Highlands that you do keep stumbling across the same personalities in different contexts and it's not as easy to lose contact.¹⁵

In this sense, individual action is required to 'activate' the provisions set out in strategy documents. Formal structures need to be made to work by individuals if routine institutional practices are to generate good informal relations. The quote also stresses the importance of what Jessop (1998a) has called 'noise reduction': reducing misunderstandings and tensions by developing an appreciation of the positions and interests that other organisations adopt and represent. That institutional structures tend to be dominated by a small number of 'movers and shakers' in the Highlands favours the development of such an appreciation by creating a stability and continuity which encourages good informal working relations. In other cases, when co-operation is threatened by political disputes, the efforts of individual officials are vital in maintaining contact:

When ... we do fall out at a political level, at officer level we have to keep going, we have to remember that ... no good will ... come of public fall-outs, we have to ... work together. I mean it was interesting that our last tiff with Highlands and Islands Enterprise was the day that [LEC Chief Executive] [was] negotiating here about how much they would put in as matching funding to the Sound of Barra ferry ... It would have been too easy for them to say well ... how can we work with you people, that's it, you've blown your four hundred thousand, they didn't and I think ... that shows that there is ... some kind of an ethos of community and public service... Obviously for us as officers of each organisation we have to respect the political ... views that come out and sometimes these political views are not always helpful to getting the job done ... We have to as officers sometimes take risks in terms of ... what's more important ... do you want to get the job done or do you want to ... spin with Council's political line ... that's something that senior officers have to juggle with.¹⁶

In this sense, political tensions create barriers which officials must overcome to maintain operational effectiveness. For this official, the fact that funding commitments tend to be maintained in the face of on-going disputes demonstrates that disputes are often mediated and contained by shared discourses of community service and local development. These discourses cannot fully disguise, however, the ways in which underlying contradictions and tensions encourage institutional rivalry and competition.

Councils feel that they have little influence over HIE as an unelected 'quango' whose key decisions tend to be made in-house. One obvious tactic available to Councils is to reinforce perceptions of HIE and LECs as closed unaccountable bodies, at the same time stressing their own democratic legitimacy and accountability. This discursive strategy takes much of its moral and political force from wider notions of defending local democracy against the 'quangoisation' of the state:

The Tain Councillor ... said the other day in the Highland Council that he felt that we've got far too many Quangos and I certainly agree with that, Quangos are unaccountable and unpredictable ... they make all sorts of rules that are not democratically made. I certainly think that there should be more elected members on the LECs ... there should be ... more democracy in some of their decisions.¹⁷

The force of the arguments for greater accountability and democracy can give council representatives considerable leverage in their dealings with HIE and LECs:

When I go to meetings with the LEC and I'm saying something nasty, I can say ... it's democracy, I'm sorry, that's the way it is ... I need them to put cash in, they have access to far larger pots of money, therefore I try to make things so they put money into projects which ... need to progress. So one of my functions is to try and use the accountability pressure on the LEC for them to better meet what the Council sees as better service ... sometimes they're pissed off with it ... they've got their own agendas and sometimes we coming in and saying how about doing this instead is not welcome, but they can't simply say no very easily because ... there are local ... small p political issues they which need to consider.¹⁸

In this sense, Council officials seem to tactically deploy this discourse of democracy and accountability, within tacit limits set by local political relations, to exert pressure on HIE and LECs to develop their services in directions favourable to the council's political goals. Sometimes this pressure is resented and resisted, but the force of "small p political issues" makes it difficult for LECs to reject these arguments.

HIE's attitudes towards local authorities tend to be structured by the 'managerialist' discourse through which the re-organisation of the public sector was

channeled in the 1980s and 1990s. For some HIE representatives, the interventions of councils are invariably 'political', and any proposal to expand local authority powers threatens to undermine established modes of decision-making based upon commercial and technical criteria.¹⁹ This emphasis upon the technical expertise and objective authority underlying allocative decisions indicates the extent to which the managerialist discourse adopted by HIE officials represents HIE as a neutral site of rational authority suitably 'enclosed' from local political pressures.

The unequal relations between HIE and local authorities create tensions that make it difficult to generate trust and mutual understanding. This suggests that some of the crucial pre-conditions for effective partnership working are absent from inter-organisational relations in the Scottish Highlands. It seems that local authorities as the less equal 'partner' feel the dilemmas of partnership more acutely than HIE. In order to assess how the effectiveness of formal arrangements is shaped by underlying relations, the chapter considers the development of a specific partnership in detail.

6.3.3 The Highlands and Islands Objective 1 Programme: A Strategic Regional Partnership

In recent years, two regional strategic partnerships have assumed particular significance in the Highlands: the Highlands and Islands Partnership Programme, set up to administer the allocation of EU structural funds through the Objective 1 category, and the UHI initiative, which brought regional interests together to secure resources for the development of a university in the region. Given the Objective 1 Programme's specific focus on economic development and intention to address the marginality of the Highlands, I focus primarily on it Objective 1 Programme rather than UHI. This section considers inter-organisational relations within the formal structure of the Objective 1 partnership. It assesses the role of key partners and examines how the informal conventions framing the attitudes of key organisations influence relations within these formal structures.

The Highlands and Islands attracted attention from the EC as early as 1975 during the preparatory work for the establishment of the European Regional Development Fund (ERDF) (HIDB, *Eighth Report*, 1973). During the 1980s the HIDB continued to cultivate links with Europe, though the campaign to secure Objective 1 status in 1988 failed.²⁰ As the process of allocating funds for the second 1994-99 programming period got underway, HIE and local authorities formed a partnership to promote the claims of the Highlands and Islands. The development of the partnership was shaped by regional agencies' readings' of how best to present the region to European institutions:

We have a very strong policy that says work in partnership at the strategic level, and at the practical level, particularly in Europe if you can go along and say it is not just us, it's all the local authorities as well ... it presents a united front which is definitely a plus point in Europe. In Europe if you can present a regionally ... based partnership, you win every time ... what they look for is an indication that this is what the local structures will actually support ... If you're doing something with the grain it usually works, and they know to their cost in Europe if you try and superimpose something that doesn't really work with local institutions, it doesn't work. So what they want are ready made partnerships that they don't have to get involved with, we hand them a partnership on a plate.²¹

This demonstrates how central requirements tend to be internalised by regional institutions, leading in this case to the formation of an integrated partnership in order to present a "united front" to the EU. Such collaboration is motivated largely by "budget enlargement" in the sense of a shared interest in securing extra funding (Mackintosh, 1992).

It appeared initially as if the campaign for Objective 1 status would again prove unsuccessful. A crucial factor in improving the region's prospects was the British government's demands for more of the structural funds to be directed to marginal areas of the UK. Given relative levels of economic prosperity, this placed the Highlands and Islands in a strong position. It did not, however, remove the fact that the region failed to meet the key qualifying criteria of having a GDP level below 75 per cent of the EU average. Eventually, however, after negotiations in which the Commission took account of the sparse population distribution of the Highlands, relaxing the 75 per cent rule, its case was accepted. In July 1993, the Council of Ministers finally agreed the Highlands and Islands' eligibility for Objective 1 funding (European Commission, 1994).

Table 6.1. The Highlands and Islands Single Programming Document

Priority	EU (ml ECU)	National	Private	Total
1. Business development	72.2	72.2	152.03	296.23
2. Tourism, heritage and cultural development	24.2	24.2	43.55	91.95
3. Environmental preservation/enhancement	16.3	16.3	2.00	34.6
4. Primary sector	68.7	125.59	79.84	274.13
5. Community development	46.9	46.9	0.00	92.36
6. Communications and infrastructure	79.7	119.55	17.7	216.95
7. Technical assistance	3.1	3.1	0.00	6.20
Total	311.0	406.3	295.12	1012.42

Source: European Commission, 1994, *Highlands and Islands SPD*: 114-5. All figures are in million ECU, conversion 1£ = 1.2 ECU.

The next task was to formulate a regional plan in the form of a Single Programming Document (SPD). This involved three separate institutional tiers: the local 'partners' who supplied the bulk of the information, central government which, through the Scottish Office, has formal responsibility as the implementing authority for the programme, and the European Commission which has ultimate sanction. The strategy was drawn up by a 'plan team' made up of Scottish Office, HIE and local authority officials.²² This process relied upon the deployment of particular governmentalised techniques and procedures which gathered relevant data as a means of representing the region, of 'rendering it visible', in order to enable intervention (Ward and McNicholas, 1998a: 34). The plan was submitted by the Scottish Office in November 1993, but, following criticism from external assessors, the Commission demanded changes (Bryden, 1996: 146-7). Protracted negotiations between the Commission and Scottish Office delayed the start of the programme with the SPD not being finally approved until July 1994. Despite provisions for 'public consultation', the process was dominated by state agencies, and the delay and lack of local community involvement fuelled criticism from local authorities and elected

representatives.

As a regional strategy, the SPD can be seen as a strategically selective form of intervention, identifying certain sectors and areas as priorities. It identified six main priorities for funding, each of which is made up of several sub-measures (Table 6.1). Allocations for each of these are based upon the principle of match funding, a requirement designed to avoid EU funds being used to replace existing levels of public provision.

Table 6.2. Composition of the Programme Monitoring Committee

Institution	Representation
Scottish Office	4 including Chair (2 Development and 2 Agriculture, Fisheries and Environment)
Department of Trade and Industry (DTI)	1
European Commission	1 (advisor)
HIE Network	5 (2 HIE and 3 LEC Chief Executives)
Local authorities	7 (1 for each) ²³
SNH	1
Scottish Tourist Board	1
Highlands and Islands Airports	1
Voluntary sector	1
Further education	1

Source: Highlands and Islands Partnership Programme, Information Sheet (undated).

The formal arrangements for administering the programme involve three institutional tiers.²⁴ The Programme Executive is composed of officials employed by the Programme to carry out routine administration and detailed case-work. Second, there are three Advisory Groups covering priorities one and two, three and five, and six respectively.²⁵ These are made up of "technical experts" drawn from the relevant agencies: HIE, local authorities, SNH, the area tourist boards, etc.²⁶ They meet four times a year, twice for each round of funding in order to recommend projects for

approval. Quantitative procedures are deployed in order to rank and analyse projects against specified outcomes and criteria approved by the European Commission. Third, the Programming Monitoring Committee (PMC) carries ultimate responsibility within the local partnership, meeting four times a year, twice to approve projects recommended by the Advisory Group, and twice to review the progress of the programme against its objectives. The structure of the PMC reflects the EU's neo-corporatist concept of partnership, incorporating public agencies as the main 'stakeholders' (Syrett, 1997) (Table 6.2). The Scottish Office tends to play a dominant role through its chairing of the PMC and status as the key source of matching funding for most projects (Bryden, 1996: 150). The lack of direct private sector representation reflects, in part, the difficulties of involving business in peripheral regions where development has historically been state-led (Syrett, 1997). The interests of the voluntary sector and community groups are also marginalised by a 'representational regime' structured by the interests of state agencies.

The tensions and lack of trust that tend to characterise relations between HIE and local authorities at the regional level affect the workings of the Objective 1 partnership. These tensions were fuelled by Scottish Office rules preventing elected councillors from being represented on the Monitoring Committee. In leaving local authority places to be filled by senior officials, these rules increased councillors' sense of being marginalised from key decisions affecting their areas. Given the relatively fragmented structure of local authorities in the Highlands relative to the HIE Network, this perception prompted action from council leaders:

We have another grouping ... we call it the Conveners meeting ... It's a grouping which came together largely to talk about Objective 1 and to make sure that the local authority voice in the Highlands and Islands was being ... expressed ... On the LEC side of the relationship there are the 10 LECs and then there's Highlands and Islands Enterprise with a strong strategic core, on the local authority side ... there are I think 7 local authorities that are in the Highlands and Islands Enterprise area and some are larger than others, there's no one if you like that's mandated to speak for everyone.²⁷

The direct comparison between the respective positions of local authorities and HIE suggests that the terms of councils' engagement with the Objective 1 programme were shaped by their perceptions of being on the receiving end of the reforms which established unelected 'quangos' like HIE. This fuelled fears that democratic representatives would be further marginalised if the formal institutional structures for

administering Objective 1 funding were dominated by the Scottish Office and HIE.

Partnerships held together by 'budget enlargement' considerations often experience difficulties in maintaining cohesion when confronted with questions of how best to distribute these resources internally (Peck and Tickell, 1994b). In the context of the Highlands and Islands Objective 1 programme, this contradiction has been expressed in terms of tensions between local areas and central authority. Significant differences in the take-up of funds between different areas are apparent (Table 6.3). While these disparities do not necessarily reinforce the basic pattern of intra-regional inequality, with the Western Isles attracting more than its per capita share of funding (though this is due to a few large infrastructural projects), they have nonetheless created political problems. Inequalities in the take-up of funding threaten the aim of internal cohesion - the reduction of intra-regional disparities - one of the twin objectives driving the programme (European Commission, 1994). The problem of internal cohesion is a product of regulatory procedures based upon the competitive allocation of funds. Since different places have different capacities and strengths, the volume and quality of applications varies. Fundamentally, the role of the central machinery is reactive, responding to individual applications by measuring them against specified quality criteria. The institutionalisation of these regulatory practices blocks the adoption of a more interventionist approach which would identify areas of need in advance and channel funds accordingly. The uneven take-up of Objective 1 funds shows not only how processes of public investment are actively re-constituting geographical inequalities in new ways, but also provides further evidence that competitively-allocated funding initiatives invariably tend to increase such inequalities (Peck and Tickell, 1994b).

These problems were, to some extent, anticipated and accommodated into the structure of the programme. Through a system of geographical targeting, each area was given a floor-level allocation based upon a formula share calculation. These targeting procedures appear to have failed, however, as areas which perceive themselves to have been less successful criticise the programme, disputing the terms of their initial allocation:

The areas that haven't done so well will say ... hold on ... you're only talking about the level of commitment, you're not talking about actual level of spend, and secondly they'll say the floor level allocation that was devised for us is far too low anyway ... It's a really contentious issue ... I mean some areas are doing very well ... Other areas ... have never really done quite so well ... and they're really quite critical of the Programme because they're not really seeing the benefits from it.²⁸

Crucially, this process of differentiation is cumulative: disparities increase over time as successful areas accumulate the practical expertise required to get applications through the system whereas less successful areas lacking this knowledge become increasingly marginalised. Representatives of less successful areas, particularly those associated with local authorities and voluntary groups, tend to criticise the system for relying on a cumbersome bureaucracy that seems designed to protect the interests of the Scottish Office and HIE.²⁹

Table 6.3. Take-up of Objective 1 Funds by Area (ERDF and EAGGF)

Area	Population share	Share of ERDF and EAGGF (Mar 1996)
Argyll and the Islands	19.4	10
Caithness and Sutherland	10.7	8
Inverness and Nairn	19.7	5
Lochaber	5.2	9
Moray, Badenoch and Strathspey	9.1	4
Orkney	5.3	3
Ross and Cromarty	13.1	8
Shetland	6.0	11
Skye and Lochalsh	3.2	4
Western Isles	8.3	22
Pan-Highland		16

Source: Highlands and Islands Partnership Programme, Information Sheet (undated).³⁰

The strength of local partnerships has been identified as a key factor shaping local rates of take-up.³¹ Areas where relations between LEC and Council are uneasy face difficulties in claiming funds from a programme which requires evidence of matching funding and in which practical co-operation reduces the burden on

individual organisations, enabling more high-quality applications to be submitted. In this sense, areas' success in attracting funds is directly shaped by the quality of informal working relations between key organisations. Those areas where shared interests and objectives have generated the trust required to stabilise inter-agency relations seem to have been more successful. The success of Lochaber, for instance, in gaining levels of funding in excess of its population share (Table 6.3) was held to reflect the strength of local partnerships.³² In Caithness and Sutherland, by contrast, the effects of strong underlying tensions between the LEC and Council in blocking the formation of partnerships accounts for much of the area's failure in attracting Objective 1 funds (Table 6.3).³³ Along with the Western Isles, also one of the main beneficiaries of the Programme, Lochaber was quick to set a special Objective 1 group representing the main agencies to identify priorities for funding and encourage co-operation.

This model of co-operation has since been exported. Each area now has its Local Area Group. While these have been promoted as a way of involving local communities more closely, thereby containing local-central tensions, they encourage a form of local corporatism dominated by key officials from the main public agencies. Much of the Western Isles' success in claiming a disproportionate share of funds for large infrastructural projects stems from the early formation of a Local Group to identify key priorities. The role of local groups has since been expanded to ranking projects in order of preference for the second Advisory Group meeting. From the perspective of the central executive, however, there is a danger that this will encourage the politicisation of the programme:

There's a political angle to it as well because councillors come into these Objective 1 groups and they obviously look at what's going to get them votes ... what pathway needs done, and I think some of the Council officials ... they've got to be quite diplomatic ... that's not really what the Objective 1 programme's about ... Whilst not all councillors are like that ... there is evidence of that creeping in, and it's not really to the benefit of the programme at all.³⁴

Local Area Groups are thus seen as introducing parochial pressures which clash with the technocratic logic of the Programme, threatening to disrupt and undermine established decision-making procedures. In this sense, local groups are seen as being too involved; in another sense, however, the constraints on their role limits their utility as a mechanism to contain local- central tensions. Because local groups have no

formal status, Advisory Groups are under no obligation to follow their recommendations, and a failure to do so can often magnify tensions, given that the procedures for assessing applications and final approval tend to lack transparency. Local interests commonly react to the rejection of a favoured project by criticising the decision-making procedures of the partnership, highlighting its lack of democratic legitimacy and local accountability (MacKinnon 1997).

Since the calculative techniques and procedures deployed to assess applications reflect the routine practices of the Scottish Office and HIE, the effect is to extend their influence into the heart of the Objective 1 programme. Interestingly, the more innovative measures relating to business research and development have been characterised by slow take-up relative to those focused on infrastructure and business sites and premises (Segal Quince Wicksteed, 1997: 44-45). This seem to reflect, in part, the managerialist ethos of a Programme which is essentially reactive in assessing projects against specified criteria. In this sense, the focus on short-term outputs blocks long-term capacity building in a peripheral region lacking an advanced business sector. Thus, managerial procedures undermine the underlying emphasis of EU regional policy on equipping regions with the innovative capacity enabling them to compete in a global economy (*cf.* Morgan, 1998)

In many respects, the rules blocking councillors from sitting on the Monitoring Committee have displaced political tensions to the margins of the partnership. The effect is a situation of partial 'enclosure': the lack of democratic representation seals the central machinery against local political pressures, confining these to the 'vertical' channels that connect the centre to local groups. While this struggle to protect the centre can never be fully successful, the combined resources of the main authorities - the Scottish Office, European Commission and HIE - are sufficient to contain the main sources of tension, thereby enabling the programme to operate effectively. The capacity of the Scottish Office and HIE to govern the Programme is rooted in their formal authority and technical expertise as government agencies. These 'authoritative resources' are embedded in the regulatory practices routinely deployed to assess applications and monitor progress against specified

objectives. The efforts of local interests to contest these procedures, however, highlights the paradox that a funding programme designed to promote coordination by involving local organisations in partnerships has necessitated the establishment of new structures which lack democratic accountability and add another layer of complexity to institutional relations in the Highlands.

This analysis of the Highlands and Islands Objective 1 programme has shown how the institutional arrangements for administering the programme have tended to reinforced tensions rooted in unequal power relations between HIE and local authorities which, in turn, reflect the differential effects of state restructuring. Programme delivery is crucially shaped by national priorities and the respective roles of the Scottish Office as implementing authority and HIE as the specialist economic development agency have enabled them to dominate the programme. The combined effects of a representational regime structured by the Scottish Office and the regulatory practices deployed to allocate resources in forcing local authorities to work through governmental procedures that do not function in their interests have compounded Councils' feelings of marginalisation. The subsequent tensions have tended to constrain the scope for developing trust within the partnership, limiting informal co-operation between key interests.

As the remaining funds are committed, attention is shifting towards funding prospects for the post-1999 period. This is fuelling internal tensions with some representatives of West coast areas arguing for the more prosperous Inner Moray Firth area to be excluded so as to maximise the prospects of the remainder of the region (*WHFP* 12.9.97). Since this proposal clashes with established institutional identities invested in the Highlands as an integrated region, it is unlikely to gain official support. Indeed, the partnership formed between HIE and the local authorities in late 1997 aims to secure another Objective 1 programme for the region as a whole.³⁵ While the proposal to split the region is unlikely to be formally accepted in the uncertain climate created by the impending enlargement of the EU, it reflects intra-regional tensions fuelled by the unequal distribution of European funds, and indicates the pressures faced by key institutions as they struggle to re-produce the Highlands as a coherent

regional space.

6.4. Inter-organisational Relations and Local Partnerships

Section 6.3 showed how partnerships are shaped by the informal relations between key organisations. It argued that the tensions created by state restructuring impede the development of trust and shared expectations required for effective cooperation. This section focuses on inter-organisational relations at the local level, arguing that, while forces of structural change have created certain tensions, the ways in which these tensions are worked out is shaped by a range of locally-specific factors. The subsequent variation in inter-organisational relations across different local areas represents one key research finding. This section outlines the nature of this differentiation and considers the key forces shaping inter-organisational relations at the local level.

Section 6.2 emphasised that national and supra-national funding initiatives are increasingly requiring evidence of partnership formation. Two of the most important recent initiatives in this respect are the EU's LEADER programme, and the Scottish Office's local rural partnership programme (Black and Conway, 1996; Ray 1997; Scottish Office 1997a; 1997b). Local 'responses' to these initiatives are crucially shaped by the existing quality of relations between key organisations and interests. The effectiveness of formal institutional arrangements for delivering local economic development therefore depends upon whether underlying conventions can generate informal trust and co-operation between partners.

The tensions created by the establishment of specialist 'quangos' filter through to the local level. For one well-placed observer, the localisation of economic governance through LECs fuelled local tensions:

You could argue that relationships got more tense after the LECs were formed ... because ... having a [HIDB] board member come up from Inverness from time to time was different from having a chairman of a LEC on your doorstep all the time ... [Councils' thought] with some realness initially that they were going to be undermining the position of the local authority or trying to claim legitimacy for themselves that ... the local authority would normally have had ... I think there was also the fact that once you did break down a structure to district or island council level, then you had the question why are there two bodies, and then they obviously had

to build a relationship on that basis, and it was a time when local authorities were being squeezed for cash themselves.³⁶

These 'turf' politics are generated by underlying organisational rivalries with local authorities tending to view LECs as a threat to their status and authority in the context of financial cuts and the removal of key functions from local government control. The emphasis on LECs' financial and contractual accountability to central government (Chapter five) masks the reality that their capacity to achieve their objectives is heavily dependent on the quality of relations developed with other local organisations and interests (Bennett *et al.*, 1994: 47). The intensely local forms of politics characteristic of many Highland communities subjected LECs to very particular demands:

Small areas like this have the politics with a small p ... The politics here are very pervasive but they're very parochial and the LECs are drawn into that, sometimes they can play it well and sometimes they don't.³⁷

In terms of the three study areas, Skye and Lochalsh was characterised by strong inter-agency relations with close cooperation and communication between SALE and the district council / area unit of the Highland Council.³⁸ By contrast, relations in the Western Isles were marred by on-going disputes between the Council and LEC. The situation in Easter Ross fits in between these two experiences in that mild political tensions coexist with strong operational links. Of the other five areas visited, on-going political disputes made relations between Council and LEC relations particularly tense in Caithness; in both Inverness and Lochaber strong and cooperative working relations had developed; and in Moray, Badenoch and Strathspey and Argyll, relations between LEC and Council are mixed with practical forms of cooperation unable to fully overcome underlying tensions. This variety of local responses to the restructuring of economic governance requires that the key forces shaping local outcomes be identified and explained. Three key factors - organisational boundaries, local authority representation on LEC boards and associated partnerships, and individual attitudes - are considered in turn.

The first issue concerns the basic local geography of governance. LECs were introduced into a structure in which elected councils' had established authority within

the local areas they covered. Given the range of contingent factors that shaped the ultimate configuration of LEC boundaries, ensuring correspondence with established local authority units was always likely to prove difficult. As a result, the coincidence of organisational boundaries emerged as a significant factor shaping working relations. Although the leading role of the Scottish Office in drawing up the initial map and maintaining overall coordination ensured a higher degree of local coherence relative to the complex and fragmented structures created in England and Wales by the more 'bottom-up' processes of TEC formation, difficulties still ensued:

There's all these sorts of boundaries and they don't all coincide, it is a bit of a nightmare really I have to say for people ... even for ourselves sometimes ... which again doesn't ... always make it easy to work things through, because you're having to deal with different bodies ... Moray certainly is difficult because it seems to be split all sorts of ways.³⁹

I think it's a big help if your local authority area and your LEC are contiguous ... if they're not then it complicates things. Western Isles and Orkney and Shetland are in the same position, their Tourist Board, their local authority and their LEC all cover exactly the same area and that's a big advantage.⁴⁰

Areas around the margins of the region are worst affected by these difficulties. The situation in Moray, which the first quote is referring to, is complicated by the LEC stretching across two council areas, Moray and Badenoch and Strathspey. Moray, now an independent unitary authority, was formerly part of Grampian Region, while Badenoch and Strathspey is an area unit of the Highland Council. Argyll has similar problems, both council and tourist board covering wider areas than the LEC, while in Caithness and Sutherland, in which the second quote is grounded, the LEC covers two separate areas of the Highland Council (formerly district councils). These difficulties are contrasted with the organisational coherence characteristic of the island groups, where boundaries invariably coincide. The fragmenting and complicating effects of overlapping boundaries suggests, however, a conditioning rather than determining influence on inter-agency relations. The existence of tensions in areas with a high degree of organisational coherence (the Western Isles) and the establishment of strong working relations in areas where boundaries are not coterminous (Skye and Lochalsh) indicates that local organisational geographies interact with other forces to shape the politics of local governance.

A second key influence concerns the issue of local authority representation on

LEC boards, almost universally identified by councils as a significant area of contention (Scottish Affairs Committee, 1995). These tensions stem from the nature of LEC boards as directors are appointed on the basis of individual knowledge or experience rather than as the representatives of any established interest or organisation (Chapter four: 107). Councils therefore have no right to representation. In many cases, however, pragmatism has prevailed with LECs inviting local councillors onto their board in recognition of the importance of building a working relationship with local authorities (Fairley 1992a; 1996; McQuaid 1993). Although this has improved communication and informal working relations, a system in which LEC invite selected individuals to become directors falls well short of local authority demands for full statutory representation involving councils nominating their own representatives (COSLA, 1995). This provokes frustration among Council personnel, some of whom identify LECs' resistance to local authority claims as the cause of tension, arguing that representation would lead to better relations:

I mean they're quite cute, they appoint people who co-incidentally are Councillors but they don't give if you like the Council the choice over who that person would be so that they can say well there is ... a person on the board of Western Isles Enterprise who is a Councillor, but that is co-incidental ... I think it's something that local people have realised that ... the way you get a bit of peace, and a bit of political peace with the local authority is to get them in, it's the old story, they're better in the tent pissing out than out the tent pissing in.⁴¹

In seven of the areas visited, LECs had local councillors on the board, though never as formal representatives and sometimes in other capacities (as business people or community activists), making their role as councillors "co-incidental" to their appointment.⁴² In one area in particular, the inclusion of key Council leaders on the LEC board was identified as a key factor behind the development of close working relations:

More important I think was the relationship with Skye and Lochalsh District Council which was always very good and in fact ... the Chief Executive of the district council was on the board of the LEC from day one and ... relationships here in this area between the LEC and the local authority, both the District Council and the sort of local bit so to speak of Highland Region and now Highland Council, the relationships have always been very good and constructive, we've never had any argy bargy of any consequence.⁴³

In Skye and Lochalsh, the appointment of council leaders has helped develop a level of trust that has eased relations between LEC and local authority and ensured the practical co-operation upon which local economic development depends.

The EU's LEADER programme forms another key context for the formation of local partnerships involving LECs and local authorities. The participatory principles set out in the Commission's 1988 White Paper, *The Future of Rural Society* (European Commission, 1988) were put into practice through the LEADER I programme, launched in 1991, and followed by an expanded LEADER II programme, covering the period 1994-99 (Black and Conway 1996). Five of the six designated LEADER I areas in Scotland were in the Highlands and Islands: Western Isles, Skye and Lochalsh; Lochaber; Argyll and the Islands; Caithness and Sutherland; and Shetland (HIE, 1995).⁴⁴ Although bids had to be submitted by Local Action Groups made up of the main 'stakeholders', the funds are channelled through central government to the Scottish Office and then to the LECs who were granted formal executive responsibility for the initiative (Arkleton Trust, 1994). While this was a sensible arrangement on a practical level, enabling cash-flow problems to be overcome and LEADER to be administered according to established accounting procedures, it also demonstrated the tendency for resources to be channelled through favoured institutional networks. In some areas, the privileged role of LECs in delivering LEADER made the establishment of an independent identity more difficult for LEADER groups (Arkleton Trust, 1994: 21-6), exacerbating tensions created by state restructuring.

Western Isles, Skye and Lochalsh (WISL) LEADER formed the largest of the LEADER I programmes, spending £4.9 million in total. WISL LEADER covers two distinct administrative areas; the partnership is made up of two LECs and two local authorities in addition to the Scottish Crofters' Union and Comunn na Gaidhlig representing the land and the language respectively. The initial formation of the partnership was strongly shaped by "budget enlargement" considerations (MacKintosh, 1992), offering another source of funding to LECs and local authorities:

For every pound of LEADER funding there must be a matching pound of UK public money ... It fitted within the remit of the Local Enterprise Company and ... when they were sure of the matching funding they went in for LEADER straight away. So it was of benefit to LEADER in that ... there was potential there of accessing matching funding, and it's of possible benefit to the Councils and the Enterprise Companies in that they could double their money, for investments of a pound you'll get another pound from LEADER in the budget, so it's a mutual arrangement⁴⁵

The partnership is generally seen as a success, establishing new contacts between

agencies and generating, according to one respondent, a strong sense of trust among the main 'stakeholders'.⁴⁶ There is a direct relationship between the Local Action Group and the Western Isles Objective 1 Local Area Group with contacts developed in the former generating the momentum to set up the latter.⁴⁷ Individual partners seem to share key objectives, internalising the LEADER ethos to agree on the importance of fostering a participatory, 'bottom-up' approach to rural development.⁴⁸ Internal differences have been submerged beneath a unifying discourse emphasising the uniqueness of the area's culture and heritage as the land and language in particular have been used to forge an institutional identity for this new territorial unit (WISL LEADER, 1995; Ray, 1997: 350-53).

Respondents in other areas also reported that LEADER partnerships were working effectively, with individual partners having an interest in securing additional funding which allows them to "do things you couldn't do any other way".⁴⁹ At the same time, however, the dominant role of LECs as the 'lead' agency seems to have accentuated organisational rivalries:

Because RACE administer it LEADER seems to be just another ... budget of RACE ... whereas it's usually RACE and the Highland Council that are the match funders ... the people who administer the programme are employed by the Action Group I would say ... They would almost say that ... it was RACE employing them.⁵⁰

In Lochaber as well, Black and Conway (1996:105) report that the dominance of the LEC meant that LEADER lacked a separate identity, although these problems have been addressed by the LEADER II programme. This perception of unequal partnerships in the sense of the LECs running LEADER programmes builds on power relations established by state restructuring and seems to impede the development of trust and informal co-operation within formal structures.

Local Economic Forums represent another important form of co-operation between the main agencies. They have an advisory function, acting as a forum for communication between LECs and local authorities. The concept was pioneered in Lochaber as a way of improving tense relations in 1992/3, and has since been exported to Ross and Cromarty and Skye and Lochalsh. Whilst having no executive powers, Local Economic Forums provide a valuable opportunity for 'noise reduction'

(Jessop, 1998a), establishing a channel of communication for discussing key issues, coordinating plans and gaining wider support for projects:

The forum itself really just has a watching brief on everything ... it doesn't take decisions ... For example there was a scheme drawn up ... by ... Lochaber Limited.... it was put in front of the forum, the forum couldn't take it forward themselves ... they would just endorse the principle of it and that then had its support which meant that each of the bodies within that forum would support it and help it through, ... rather than ... one going one way and one going the other, that way you don't get any progress.⁵¹

Individual agencies can use forums for consultation on their policies, and forums have been important in allowing local authorities input into LEC business plans.⁵²

The influence of individual commitments and agendas is a third key influence shaping inter-organisational relations. Crucially, individual action is required to develop trust between key actors and establish a pattern of informal contact which ensures that formal institutional structures function effectively. It is a key factor explaining how similar institutional arrangements produce different outcomes in different areas:

When you get down to local areas and you get down to partnerships, it's down to people, absolutely people-driven. If personalities are hostile and confrontational you're on a hiding to nothing, if personalities are co-operative ... you're on a gold seam, and I think Lochaber has been outstanding in that sense. And I think that's reflected in the success of our LEADER Action Group and the budgets we have for that, it's reflected in the scale of the Objective One monies that Lochaber has attracted, it's reflected in the year-on-year additional funding that the LEC in Lochaber gets beyond its formula share.⁵³

There's been real problems in Caithness with inter-agency relations, well relations between the LEC and the Council really ... and that's just some individuals creating these problems, the local press as well they've given us a hard time, again that's just personalities. It was really just the leader of the Council and one or two others who were very anti-LEC and quite vitriolic about it, for example he would walk out of the room when our Chief Executive walked in, so that was very difficult.⁵⁴

In Lochaber, individual co-operation is stressed as the key factor behind strong inter-agency co-operation which is, in turn, given the importance of 'partnership' to the formulation and financing of development projects, reflected in the area's success in accessing extra funding. In this sense, the quality of informal contact has strengthened formal structures in terms of both resources and effectiveness. In Skye and Lochalsh too, another area characterised by positive relations between LEC and Council, individual attitudes were cited as a key factor.⁵⁵ These successes contrast sharply with the situation in Caithness where personality clashes created serious tensions, making it very difficult for Council and LEC staff to work together effectively. Individual

attitudes only matter, however, in the context of the position held by individuals in their organisations. In Caithness, it is Council *leaders'* perceptions of the LEC as a threat to their authority that has made relations so difficult. In Lochaber, conversely, the positive approach of the LEC Chief Executive was seen as a key factor encouraging co-operation.⁵⁶ Individual action, then, is often crucial in translating underlying structures into effective working relations.

Recent events in the Western Isles usefully illustrate how these factors shape inter-organisational relations. While the issue of council representation has fuelled tensions, the way in which these tensions are worked out is shaped by personality politics. It is clear that the respective attitudes of Western Isles Enterprise (WIE) and Western Isles Council (WIC) are shaped by the wider context of state restructuring:

I think there's a general willingness ... from the LEC board members and the staff to work with the Council, maybe that was ... coming from a position of strength under the previous government, they knew LECs were not going to be abolished or changed in any way at all, so there's been that kind of outward looking ... approach.⁵⁷

In this sense, the LEC's position as the favoured channel for government policy makes it the more equal partner, enabling it to adopt this 'outward looking approach'. Council representatives express frustration, however, at the LEC's reluctance to grant them formal representation on the LEC board:

I mean we, we are the largest employer in the Western Isles, we are an important business that has a spend/ revenue capital over £100 million pounds a year ... and ... we have been unable to secure a place on the board of the Local Enterprise Company as of right ... Now ... we think that's kind of daft and as long as that resistance is there ... it's no wonder that we are going ... to fall out.⁵⁸

This feeling of marginalisation reflects the wider context of state restructuring and the Council's perception that it has been on the receiving end of reforms designed to remove functions from its control. That this is not the case empirically given that the LECs took over the functions of the HIDB⁵⁹ only serves to illustrate the extent to which Council attitudes have been shaped by this wider context.

According to one respondent, meetings of a liaison group set up to improve relations have been dominated by complaints from WIC about the way in which the LEC was initially set up and recent funding decisions.⁶⁰ This is seen as indicative of the Council's negative, unconstructive attitude, reinforcing the LECs concern that

Council representatives would seek to undermine the established practices through which the board works. This suspicion is given further credence by the fact that until recently one of the Council's formal political aspirations was to take over the functions of the LEC.⁶¹ The gap between these stand-points reveals how institutional rivalries are shaped by unequal power relations. While underlying tensions tend to limit the effectiveness of informal relations, officials work to maintain practical co-operation in putting together funding packages and development initiatives.⁶² Specific projects such as the LEADER programme have generated effective partnership working. Nonetheless, recent public disputes between the LEC and WIC have a serious effect on inter-organisational relations at a time when the economic performance of the Western Isles relative to the rest of the Highlands and Islands is causing increasing concern.

In August 1997, HIE's Annual Report was launched in Stornoway. This followed the established mode of presentation in painting an optimistic picture of economic prospects in the Highlands and Islands, drawing on an aggregative perspective emphasising overall regional trends (HIE, *Annual Report*, 1996-7). On this occasion, these claims provoked an unusually fierce response. The vice-convenor of WIC, Angus Graham, launched a blistering attack on HIE, accusing it of "distorting the truth" in its efforts to emphasise the impact of its activities (*WHFP* 22.8.97). A sequel took place in March 1998 at a conference on the 'economy in crisis' organised by WIC (*WHFP* 20.3.98.). This was marred by a dispute over whether the economic situation justified the term "crisis". The dispute was symbolised by the contrasting arguments of Cllr. Graham, maintaining his emphasis on adverse economic trends and the HIE chairman, Fraser Morrison, who attacked "defeatist talk" and stressed the importance of projecting a positive image to attract potential investors (*WHFP* 20.3.98.). This on-going episode highlights not only the rivalries between particular institutions, but also that conflict is centred on the discursive construction of the local economy itself, as competing interests promote their conflicting representations of local economic trends.

This section has emphasised how relations between LECs and local authorities

are structurally rooted in the unequal relations produced by earlier processes of state restructuring. Within this general context, however, local relations vary significantly, largely according to the three key factors of organisational boundaries, council representation on LEC boards, and individual attitudes and commitments. The precise ways in which these forces interact locally are highly complex. What the Western Isles example showed is that where 'political' disputes over issues such as Council representation are reinforced and magnified by personality clashes, organisational relations become tense. In these circumstances, nurturing the conditions for effective partnership working becomes difficult. In other areas, notably Skye and Lochalsh and Lochaber, the presence of crucial pre-conditions - coincident organisational boundaries based on a strong sense of local identity, LEC recognition of councils' concerns about representation and power, the positive attitudes of individuals occupying key positions - generate the trust and understanding needed to clarify organisational roles and develop common objectives. The result is a culture of informal co-operation and successful partnership.

6.5. Conclusion

This chapter has argued that the current emphasis on partnership can only be understood within the wider context of state restructuring. After a series of institutional reforms re-modelled the public sector on private sector practices in the late 1980s and early 1990s, introducing special-purpose agencies to mobilise local business elites, the mid-to-late 1990s has witnessed a new emphasis on coordination and partnership. The key research finding to emerge from this chapter is that the impact of the first phase on inter-organisational relations tends to limit the potential of more recent initiatives. The development of partnerships is structured by underlying tensions stemming from local authorities' perceptions of being marginalised by the creation of unelected agencies and the removal of key functions from their control. While these tensions rarely impede routine contact in formulating funding packages, they often limit the effectiveness of formal institutional arrangements by making it difficult to develop the trust and co-operation required for integrated partnership working. The official rhetoric tends to see partnership as a panacea, assuming that

formal arrangements are enough and neglecting informal forms of co-operation, which this chapter suggests, are more difficult to develop and sustain. Inter-organisational relations take different forms in different parts of the Highlands. Since the conditions underpinning success in areas like Skye and Lochalsh and Lochaber are locally-specific, their experience cannot be easily 'exported' to areas where relations have proved more difficult. In these circumstances, partnerships are likely to remain fragile coalitions driven by short-term financial pressures.

While the benefits of both LECs and partnerships have been promoted through similar forms of localist rhetoric, the consecutive phases of state restructuring that they represent have been driven by national priorities. In emphasising the managerial 'technologies' which make LECs accountable to the centre, Chapter five raised questions about their local accountability and representativeness. This chapter has highlighted the paradox that while partnerships are ostensibly designed to increase organisational co-ordination and encourage local initiative, they can only do so at the expense of creating complex institutional arrangements which appear to add another layer of confusion and duplication. The limited local accountability and representativeness of many partnership structures in which unelected agencies play a key role raises a number of concerns about the democratic legitimacy of new forms of local governance. Chapter seven addresses these issues by examining LEC's accountability and assessing whether institutional structures offer meaningful scope for local initiative and community involvement.

Notes

¹ Stewart uses the term corporatist here in a loose sense to refer to initiatives which bring together a range of interests and organisations. This contrasts with the more specific use of corporatism in chapters three and four of this thesis to refer to a social democratic state regime which incorporated private capital and organised labour as partners in economic management during the 1960s and 1970s. The use of the terms corporatist / corporatism in this chapter to describe a central component of the 'new localism' constructed by partnerships - the pressure it creates for organisations to work together - does not imply that such arrangements are expressions of corporatism in the broader political sense. In particular, it should not be taken to mean that capital and labour are dominant 'partners'.

² As Chapter two (p.31-32) made clear, however, this is not one of the key approaches

informing the thesis as a whole. Rather, its function in this chapter is to frame empirical analysis of this specific issue.

³ Council official, interview 7.3.97.

⁴ The three all-purpose island councils - Western Isles Council (WIC), Shetland Islands Council and Orkney Islands Council - were left unaffected by the reforms.

⁵ HIE official, interview 14.11.97.

⁶ Council official, unrecorded interview 19.11.96.

⁷ Senior council official, interview 23.9.97.

⁸ Council official, interview 19.11.96; Local councillor, interview 5.8.97.

⁹ Council official, interview 19.11.96.

¹⁰ Senior HIE official, interview 1.11.96; LEC official, interview 5.3.97; LEC official, interview 31.7.97.

¹¹ Council official, unrecorded interview 12.11.97.

¹² LEC official, interview 31.7.97.

¹³ Senior LEC official, interview 12.3.97.

¹⁴ Senior HIE official, interview 1.11.96; Council official, interview 12.3.97.

¹⁵ Senior area tourist board official, interview 28.10.97.

¹⁶ Senior Council official, interview 23.9.97.

¹⁷ Local councillor, interview 21.5.97.

¹⁸ Council official, interview 7.3.97.

¹⁹ Senior HIE official, interview 1.11.96; Senior LEC official, interview 12.3.97.

²⁰ Instead, the region was granted Objective 5(b) status in the programming period 1989-93. 1988 saw a major re-organisation of the structural funds, focusing on five categories. Of these, Objective 1 focuses on the development of structurally backward regions, defined as those whose GDP per capita is less than 75 per cent of the EU average. Objective 5(b) is designed to promote development in lagging rural areas that do not qualify for Objective 1. The Commission's Agenda 2000 proposals include plans to rationalise the structure of seven objectives (since 1993/4) into three.

²¹ HIE official, interview 19.11.96.

²² European programme officer, interview 19.11.96.

²³ These are: Highland, Shetland, Orkney, Western Isles, Argyll and Bute, Moray and North Ayrshire.

²⁴ Initially, they were four levels with an intermediate Management Committee structure between the Advisory Groups and the Monitoring Committee. As the programme developed, however, it became apparent that this 'layer' was unnecessary and was therefore abolished.

²⁵ Priority 4, relating to the development of the primary sector, is administered separately by the Scottish Office Agriculture, Environment and Fisheries Department in Edinburgh.

²⁶ European programme officer, interview 19.11.96. The rest of this paragraph also draws heavily on this interview.

²⁷ Senior council official, interview 23.9.97.

²⁸ European programme official, interview 19.11.96.

²⁹ Council official, interview 5.3.97.

³⁰ These figures are based only on applications up to and including March 1996; they exclude the September 1996 and September 1997 rounds. Also, they are based only on

allocations of ERDF and the European Agricultural Guidance and Guarantee Fund (EAGGF), the European Social Fund (ESF) is excluded as are national and private contributions. ESF provides approximately a sixth of the total EU funds allocated to the Programme.

³¹ European programme official, interview 19.11.96.

³² Senior LEC official, interview 12.3.97.

³³ LEC official, interview 5.3.97.

³⁴ European programme official, interview 18.11.96.

³⁵ Council official, interview 12.11.97.

³⁶ Former HIE official, interview 7.11.97.

³⁷ Council official, interview 7.3.98.

³⁸ The summary of local organisational relations in this paragraph is derived from a range of interview transcripts and more informal observations and conversations.

³⁹ LEC official, interview 6.3.97.

⁴⁰ LEC official, interview 5.3.97.

⁴¹ Senior council official, interview 23.9.97.

⁴² This information is taken from recent LEC Annual Reports, supplemented by interview material.

⁴³ LEC director, interview 7.7.97.

⁴⁴ There are nine areas covered by the expanded LEADER II initiative, these five plus Ross and Cromarty; Orkney; Moray, Badenoch and Strathspey; and Inverness-shire and Nairn.

⁴⁵ LEADER field officer, interview 29.7.97.

⁴⁶ Council official, interview 25.6.97.

⁴⁷ LEC official, personal communication, August 1998.

⁴⁸ LEADER field officer, interview 29.7.97.

⁴⁹ Council official, interview 7.3.97.

⁵⁰ Council official, interview 21.5.97.

⁵¹ Council official, interview 12.3.97.

⁵² In Lochaber the Economic Forum has taken on another role. As an established partnership, it has provided a basis, through a specialist sub-group, for a bid for Rural Challenge funding (LEADER field officer, interview 12.3.97).

⁵³ Senior LEC official, interview 12.3.97.

⁵⁴ LEC official, interview 5.3.97.

⁵⁵ LEC director, interview 7.7.97.

⁵⁶ Council official, interview 12.3.97.

⁵⁷ LEC director, interview 5.8.97.

⁵⁸ Senior council official, interview 23.9.97.

⁵⁹ LEC director, interview 5.8.97.

⁶⁰ LEC director, interview 5.8.97.

⁶¹ Local councillor, interview 30.7.97.

⁶² Senior council official, interview 23.9.97.

Chapter 7

Accountability in Question: Institutional Practices, Local Accessibility and Community Relations

7.1. Introduction

This chapter focuses on LECs' accountability to local communities. Chapter five emphasised LECs' accountability to central government, arguing that they work within a context of structured flexibility. LECs are able to feed local priorities into policy, and then adapt that policy to local conditions, within limits set by state rules and norms. This chapter asks where these priorities come from: are they derived purely from LECs' readings of local needs or are there genuine opportunities for the broader local community to participate? In focusing on LECs' openness to community involvement and local priorities, it addresses one of the principal research questions (Chapter one, p.13). The analysis is extended to cover emerging partnership arrangements. As Chapter six argued, while partnerships involve a range of interests drawn from different sectors, they tend to blur responsibility and confuse questions of accountability and legitimacy (Stewart, 1994: 143-44).

The chapter's main argument is that while LECs are not accountable to local communities, despite measures taken by HIE and LECs, they are accessible in the sense of providing resources and expertise which community groups can use to help achieve their own objectives. Although groups have to follow certain procedures and adopt certain strategies to gain access to these resources, the scope for them to do so can be seen as an important source of LECs' legitimacy. Consequently, the lack of local accountability need not necessarily undermine the operational effectiveness of the HIE network.

The argument is developed in three main sections. Section 7.2 clarifies the concept of accountability and discusses community relations, noting how LEC personnel deploy a rhetoric of 'community' to claim legitimacy. Section 7.3 considers

the local accountability of LECs in detail, assessing the nature and effects of the measures taken to counter criticism. Section 7.4 assesses LECs' accessibility to community groups and the representativeness and legitimacy of 'partnerships'. The conclusion summarises the key arguments.

7.2. Public Accountability and Community Identity

It's always the kind of obvious criticism that it is essentially a bunch of self-appointed individuals ... Quangos generally are condemned as undemocratic but LECs are even more undemocratic ... in the sense that ... when for instance I was appointed onto the board of HIE I was appointed by the Secretary of State for Scotland ... for a fixed term on stipulated conditions ... but members of LEC are not appointed by anybody other than themselves which is quite bizarre in a way, I think you have to go back to the Town Councils of Scotland before the 1832 Reform Act to find ... a precedent ... They ... are in a sense a sort of self-perpetuating clique.¹

Much of the public debate on LECs in Scotland has focused on questions of accountability and legitimacy. This reflects the 'democratic deficit' of the non-elected local state in that the institutional design of LEC's privileges managerial forms of accountability to central government over local political accountability. This design contains in-built contradictions, however, as LECs and TECs have been forced to adapt to the local political environments within which they operate in order to achieve their aims (Peck, 1992, 1993; Bennett *et al.*, 1994; Hart *et al.*, 1996; Haughton *et al.*, 1997; Jones, 1997a). Since they operate within a broader system of local governance, LECs are confronted with an array of conflicting demands and expectations from a range of organisations and community groups.

As the above quote indicates, there are important distinctions between the official status of HIE and that of LECs (Chapter four: 104). As a regional development agency, HIE is formally classified as an (NDPB) Non-Departmental Public Body (NDPB), and its members are appointed by the Secretary of State under specific terms and conditions. By contrast, LECs enjoy formal autonomy as private companies limited by guarantee (non profit-making) which take on responsibilities for delivering public programmes by entering into contractual agreements with HIE. Since LECs are private companies, they appoint their own boards, making them essentially self-selecting and self-perpetuating organisations. Although the formal autonomy of such 'local spending bodies' makes the imposition of codes of conduct difficult, the Nolan Committee (1996: 17) argued that their self-perpetuating nature

made 'openness' particularly important. Whilst they are subject to the Companies Act, LECs are not subject to the full rigours of shareholder accountability. Since they are companies limited by guarantee and have no capital or shareholders, established systems of corporate governance are only partially applicable. There is no wider membership to whom the board of directors are accountable.

The emphasis on *public* accountability is a product of modern political arrangements. The norms of representative democracy demand that those running vital public services are answerable to the wider 'community' on whose behalf they act (Weir 1995; Hirst 1995). Day and Klein (1987: 26-9) draw a basic distinction between political and managerial forms of (public) accountability. Political accountability is the requirement for those running public services and spending public money to be answerable to the electorate. Managerial accountability involves making those with delegated authority meet agreed standards and criteria of performance (Day and Klein, 1987: 27). This often appears to function as a neutral, technical process and has a number of dimensions, including financial regularity, ensuring that the correct procedures and processes have been followed, and assessing whether programmes have had the intended effects. The 'technologies' of government discussed in Chapter five - targeting, audit and budgetary controls - can be seen as forms of managerial accountability making LECs accountable to central government.

Political and managerial forms of accountability share two crucial aspects: that those exercising delegated authority offer an account of their actions, and that they are held to account for those actions (Day and Klein, 1987; Nolan Committee 1996, Hart *et al.*, 1996). Of most importance in addressing these requirements is the relationship between political and managerial forms of accountability. The traditional assumption is that managerial forms of accountability are subordinate to political accountability as technical measures are deployed to evaluate administrative performance against defined objectives arrived at through the democratic process. In Britain, the dominant expression of this relationship has been the doctrine of ministerial responsibility. This points to the importance of effective sanctions in underpinning real accountability (Day and Klein, 1987: 34; Nolan Committee, 1996: 13). To exercise control over the

actions of those holding delegated powers, the central authority must possess real sanctions, ultimately being able to remove or replace the individuals or organisations responsible for malpractice. As Day and Klein (1987: 34) argue, this leads to another important distinction: that between strong forms of accountability, underpinned by the threat of ultimate sanctions, and the softer notion of answerability, requiring only that officials and organisations present an account of their actions.

The institutional design of LECs as business-led agencies makes them unrepresentative of the local community. As Chapter four demonstrated, this design owes more to the imperatives of state restructuring than any local demands for change. The establishment of LECs can be seen as part of a 'hegemonic project' designed to privilege the interests of business whilst limiting the access of groups drawn from the public and voluntary sectors (Peck, 1992, 1993; Jones, 1997a; 1997b). The privileged position of business elites is guaranteed by the statutory requirement for two-thirds of LEC directors to be drawn from the private sector. The remaining third of places is occupied by leading figures from the local community who support the aims of the LEC. The fact that directors are appointed by the existing board, however, has fuelled public unease (Scottish Affairs Committee, 1995; Nolan Committee, 1996), leading to LECs being dismissed as "self-perpetuating cliques".

The distinctive pattern of business representation on Highland LECs reflects local economic structures. Since there are few large trans-national business operating in the region, HIE LECs - unlike SE LECs which are often dominated by 'big capital' - tend to be led by representatives of small business, often drawn from tourism and the service sector, who live locally (chapter four, note 21)² This 'local dependence' means that LEC directors are often involved in community activity, making it difficult to draw clear boundaries between sectors:

You find ... that in smaller LECs, just because of the nature of communities, that the division between private, public and voluntary sector breaks down a bit, and somebody can come along to a LEC as a director and it's hard to know what sector he represents because ... he may be active in voluntary activity as well as business, and that's very much the case in a lot of our LECs ... Because its much more localised even the distinctions between hard private-sector ... and if you like softer, community sector ... breaks down a bit.³

We're very conscious of our remit in terms of ... we have a social remit ... so we have ... a lot of dealings with the community. And again this is the nature of the beast here ... if we go through

our board in particular and this is reflective of everyone in our environment ... there's a wide variety of involvements, so I think that the social and community remit always comes through ... in an area like this ... We've got three out of the eleven staff ... on community councils in their own right ... people are very much involved in communities here.⁴

Notions of 'community' appear to be deployed to reject claims that LEC boards are unrepresentative and dominated by a self-interested business elite. They are underpinned by notions of local uniqueness with the nature of small close-knit rural communities demanding that business people on LEC boards also show their commitment in other areas. Local uniqueness, a product of the combination of discrete communities and the dominance of small locally-orientated business, is defined against the 'otherness' of urban-industrial areas in the Central Belt, where LECs are dominated by 'big capital' distant from community agendas. This emphasis on local 'embeddedness' is reinforced by the social remit of Highland LECs, enabling them to have more extensive and sustained contact with community groups.

Debates about the local accountability and representativeness of LECs reflect the changing relationship between state and community at a time of continuing resource constraints and a continuing suspicion of centralised forms of administration (Arkleton Trust, 1997: 31). The increasing emphasis on community self-help (Rose, 1996a, 1996b; Murdoch, 1997) is manifest, in rural policy, in the promotion of new forms of partnership and community initiative which typically involve co-operation between state agencies and community groups.⁵ These new forms of community involvement and development are fundamentally conditioned by the structures and priorities of the agencies promoting them. This raises crucial questions about the democratic accountability and legitimacy of new institutional arrangements.

As Bryden (1994: 223) observes, state agencies need legitimacy to act on behalf of others. Notions of strategic selectivity suggest that the state's openness to the demands of social groups is mediated by the particular strategies that those groups adopt towards it (Jessop, 1990b, 1997b). Chapter five showed that while institutional practices and rules impose certain requirements, applicants approaching LECs for financial assistance or advice can adopt strategies that appeal to LECs' own concerns, thus enabling applicants to exert pressure in subsequent negotiations. The thesis has emphasised the specific mechanisms and practices deployed in the regulation and

governance of local and regional spaces over notions of hegemony. This chapter extends that analysis, criticising the concept of 'hegemonic project' which implies that community groups either passively consume or actively contest institutional discourses. It argues that reception is mediated through particular perspectives as activists seek to harness institutional discourses and practices to their own agendas (Boyle, 1997). The legitimacy of state agencies depends, in part, on whether community groups and businesses can unlock their resources and capacities to help achieve pre-existing objectives.

While accountability is an important source of legitimacy, it is unclear whether organisations need to be accountable to their local communities in order to function effectively. The establishment and design of HIE reflects policy preferences decisively rejected by the Highland electorates in successive elections. Consequently, the activities of LECs as unelected 'quangos' has sparked controversy. The clash between competing claims of managerial authority and local democracy provides the discursive ground upon which debates on the accountability of LECs in the Scottish Highlands are being played out. The next section considers the impact of HIE and LECs' efforts to increase local political accountability at a time when LECs are increasingly acting as channels for the introduction of new forms of partnership and community representation (LEADER, local rural partnerships, etc.).

7.3. The Local Accountability of LECs

In both Scotland and Wales, distinctive institutional arrangements added extra controversy to general debates on the legitimacy of unelected quangos. The basic imbalance between a well-developed system of administrative devolution, centred on the Scottish and Welsh Offices, and a complete lack of legislative devolution through a directly-elected assembly, allowed a minority Conservative Party to govern unchecked by effective democratic scrutiny (Morgan and Roberts, 1993: 22). 'Quangos' became a particularly heated issue in Scotland and Wales because of the perception that the Conservatives were relying on patronage and imposing policies rejected by voters through a network of unelected bodies dominated by a narrow band

of supporters. This made the 'democratic deficit' particularly pronounced.

The problem of accountability can be seen as a manifestation of underlying features of the modern state (Giddens, 1985; Day and Klein, 1987; Rose, 1996a). The popular experience of bureaucratic forms of service provision has increased the distance between authority and the people, creating disinterested publics that are sceptical of organisational claims (Day and Klein, 1987; Rose, 1996a). Conservative reforms have addressed this issue by promoting the rights of 'consumers' over those of service providers. While these reforms have introduced a new rhetoric of 'openness' and customer care into the public sector, there is little evidence of real 'empowerment' overcoming long-standing apathy.

LEC officials and directors tend to be acutely aware that problems of accountability are exacerbated by public disinterest:

The main problem is to try and get people to take an interest in it ... On a famous day we had an open day ... which was publicised right, left and centre ... I think at the end of the day we had about four people that came into the local village hall ... Sometimes we get really awful turnouts ... you're up against a ... degree of apathy, but it's like everything else in life when a crisis arises then, or particularly when ... we do something that people don't like ... then all hell breaks loose and we get plenty of public participation.⁶

One issue which tends to spark public criticism concerns business owned by, or associated with, LEC directors receiving funding.⁷ This problem is particularly visible and acute in the Highlands where the business community is small and close-knit. Providing they meet the criteria, businesses owned by directors are just as eligible as any other businesses. Making them ineligible for grant aid would undermine the fundamental rationale of business leadership since few business people would be willing to join LEC boards.⁸ However, the fairly widespread unease felt towards a system based essentially on a group of business representatives providing funding to a wider community of businesses is an expression of underlying contradictions. Giving private business leaders a key role in running a public service inevitably creates conflict between their private interests and the wider public interest. LECs represent a fundamental blurring of the boundaries between public and private in that the same constituency which forms the 'market' for the service also provides it, or is at least involved in its provision. In this sense, the 'consumers' become the producers. The

standard defense that a project associated with a board member received assistance because it met the relevant criteria, whilst no doubt technically correct, does little to dispel the perception of a self-interested organisation. It clashes with underlying structures of expectation⁹ which assert that development agencies are there to serve the wider community interest, stressing the legitimate claim of 'local' people on public resources.

LEC officials and directors tend to be acutely aware of criticisms that they are unaccountable bodies, in some cases recognising that this problem affects operational matters.¹⁰ Local political pressures require that LECs, in association with HIE as the statutory authority responsible for awarding contracts, respond. Measures to increase local political accountability have been taken at three distinct levels. First, there are the formal requirements specified by the government and incorporated into annual contracts by HIE, involving publishing an annual report, holding an Annual General Meeting, and registering and declaring members' interests. Second, there are the initiatives introduced by HIE which all constituent LECs are required to implement. The key strand of this is the Accountability Through Openness (ATO) policy, together with the more recent introduction of an Appointability Through Openness (APO) policy. In addition, there are the initiatives taken by individual LECs themselves, of which the most significant are the introduction of membership schemes and the use of working or consultative groups. Table 7.1 shows how these three levels of accountability come together in the structures of individual LECs.

Table 7.1. Forms of LEC Accountability

LEC	Annual AGM Report		Register of interests	ATO	APO	Membership Scheme	Working Groups
AIE	x	x	x	x	x		x
CASE	x	x	x	x	x		
INE	x	x	x	x	x	f	
LL	x	x	x	x	x		
MBSE	x	x	x	x	x		
RACE	x	x	x	x	x		f
SALE	x	x	x	x	x	x	x
WIE	x	x	x	x	x	x	

LECs: AIE is Argyll and the Islands Enterprise; CASE is Caithness and Sutherland Enterprise; INE is Inverness and Nairn Enterprise; LL is Lochaber Limited; MBSE is Moray, Badenoch and Strathspey Enterprise; RACE is Ross and Cromarty Enterprise; SALE is Skye and Lochalsh Enterprise and WIE is Western Isles Enterprise.

x= in operation; f= formerly in operation.

Source: Interviews and LEC Annual Reports.

The formal procedures for ensuring accountability appear rather minimal, reflecting a system primarily based on 'upwards' accountability to central government. As a form of accountability, Annual Reports address two audiences: offering an account to government and parliament whilst providing information to the local community. The balance of HIE and LEC Reports is different: the former focus more on government whereas LECs seek to promote their activities locally. As such, LEC Reports can be seen as a key channel for the circulation of LEC's 'official discourse', providing a key means of justifying and legitimating policies and programmes to a range of local 'stakeholders'. They are structured to a common format, offering a summary of 'progress' across the main programmes, increasingly organised in terms of HIE's three strategic objectives of 'growing businesses', 'developing people' and 'strengthening communities'.¹¹ The emphasis is very much on performance as LECs highlight their successes in key areas, increasingly by listing 'achievements' and 'outputs' against key targets in boxes separated from the main body of Reports (Lochaber Limited, *Fifth Report*; MBSE, *Third Report*, *Fifth Report*, *Sixth Report*; SALE, *Sixth Report*; WIE, *Fifth Report*, *Sixth Report*). This is an important discursive practice, used to persuade local 'customers' of the efficiency and productivity of LEC operations. Thus, while Annual Reports are an important means of giving an account to local communities, they do so in a form that is structured by internal concerns and priorities. 'Success' is measured against criteria specified by another audience (HIE and the Scottish Office), the assumption being that these somehow match local priorities. The muted local reception of Annual Reports seems to reflect this external determination of the principal measures of effectiveness and performance.

The second key aspect of the first layer of accountability concerns rules for dealing with conflicts of interest, a major political problem for LECs. TECs and LECs were generally slow to develop clearly-defined procedures for resolving conflicts, reflecting the low priority given to local accountability in the initial phase of development (Nolan Committee, 1996: 65). Subsequently, standards based upon established public sector practices have been put in place. LECs are required, as a contractual obligation, to maintain a register of members' interests which the public are able to inspect, and to declare any conflicts of interest. Cases of assistance to business with which directors are associated must be published in Annual Reports. Chief Executives are responsible for ensuring compliance. A related issue is that of 'competitive conflict', referring to situations in which applications for assistance from businesses who may be in competition with companies linked to board members. There was a strong perception among businesses and the public that confidential information relating to commercial performance could be accessed by potential competitors on LEC boards.¹² Rules have been developed to address this tension, mainly by extending procedures for dealing with direct conflicts of interest. As with many aspects of LEC accountability, however, the basic fact that boards continue to meet in private, meaning that the operation of these procedures cannot be observed, makes it difficult to dispel lingering suspicions.

The persistence of claims that LECs were secretive and unaccountable bodies demanded a response from the HIE Network. The basic contractual requirements that made up the first layer of accountability were unable to silence those within local authorities and sections of the local press who saw it as their task to defend local democracy against the 'quango' state. One particular source of criticism against the HIDB concerned its refusal to release information about who has received grant aid, citing the need to maintain 'commercial confidentiality'. HIE's initial adherence to this position fuelled perceptions of secrecy. In Caithness and Sutherland, the hostility of key figures in the local authority and local press meant that CASE was forced to operate in a particularly turbulent political environment. In early 1994, CASE decided, with the backing of HIE, to release a monthly list of businesses and individuals assisted, in an effort to address criticism.¹³ This experiment faced some

opposition within the HIE Network from those who feared that going public would prevent people from applying for assistance. It soon emerged, however, that disclosure was actually encouraging applications by acting almost as a marketing tool with lists of approvals in the local press increasing public knowledge of the types of assistance available.¹⁴ After reviewing these effects and undertaking consultation within the Network, HIE decided in February 1994 to extend CASE's initiative, re-packing it as the central strand of a new ATO policy (HIE, *Fourth Report*, 1994-95: 66). All LECs are required, as a common minimum standard, to prepare a monthly list of approvals for public release.

ATO marked a fairly radical departure from the previous policy, based on the need to avoid disclosure in the interests of 'commercial confidentiality'. The associated risk was deemed to be worth taking because of the need for a credible initiative to address criticism and improve LECs accountability and legitimacy. Revealingly, HIE's Chief Executive conceded, when announcing the new policy, that commercial confidentiality had been used very loosely, without anybody really defining what it meant.¹⁵ It had become an automatic response, applied to a range of situations where it had little real relevance. While it is important to maintain the confidentiality of commercially sensitive information used in the appraisal of applications,¹⁶ this does not mean that making approvals public after the decision has been taken would be damaging to the business concerned. Using 'commercial confidentiality' as a reason for not releasing information is commonplace across the public sector. In this case, it reflected a desire to maintain and protect established institutional practice rather than any external effect on business viability.

In launching ATO, HIE demonstrated a capacity to anticipate emergent policy themes and act decisively and effectively. ATO is framed by a managerialist discourse, successfully appropriating the language of 'openness' and 'transparency' which structured Conservative policy. It has been commended as setting standards for other public bodies both by the Scottish Affairs Committee (1995, vol 1) and the Nolan Committee (1996: 66), giving credibility to HIE's claims that it is, in fact, highly accountable and open.

ATO is certainly an improvement on previous practice. In many respects, however, it shares the limitations and assumptions of Conservative reforms. It constructs its public as consumers rather than informed citizens, viewing them as autonomous individuals able to query decisions and request information on application procedures and criteria. Whilst ATO does seem to have increased local interest in and knowledge of LEC activities, it stops well short of opening up decision-making processes and, more importantly, the policies which underpin these decisions to public scrutiny and involvement (Stewart, 1995). Indeed, there is evidence that ATO was designed to deflect attention away from underlying 'political' issues by focusing on service provision and operational efficiency. Although many external representatives welcomed the extra information, ATO does little to enable local communities to become more actively involved in shaping policy:

HIE and the Local Enterprise Company are refusing to hold a public meeting, they're saying that there's nothing to be gained from it but I think they're just frightened ... there's no consultation with the people here, you see their bumpf and they say they're accountable through openness, well not here they're not.¹⁷

Although it requires LECs to give an account on a monthly basis, ATO does not significantly enhance local groups' ability to hold them to account on key policy matters. Given that LECs effectively exercise a monopoly over the provision of key forms of business development assistance, local residents are unable to go elsewhere and, therefore, lack effective sanctions. It is best seen as a management tool introduced in response to damaging criticism that increases LECs' answerability without necessarily increasing their accountability or legitimacy.

As this thesis has emphasised, the self-perpetuating nature of LECs has generated widespread criticism. The initial expectation - fostered by those promoting the LEC initiative - that LECs would face competition for contracts from other groups of local business operators has failed to materialise. Instead, the original board appoint new members through informal mechanisms in a process that appears closed and secretive to external observers :

You see the LEC is a bit of a mystery, the way that it's evolved, it's just a bit of mystery. There should be new bids going in from a new company here every three years, that's as I understood the original intention anyway, but that's not happened. How it has evolved and how the Board just seem to stay on is a bit of a mystery, although of course they'd say it's all perfectly open.¹⁸

This again is a damaging perception which reflects widespread unease over appointments to 'quangos' (see Scottish Affairs Committee, 1995). Typically, LECs informally approach a prospective director, usually someone active in the local business community, after they have been identified as an appropriate candidate by the board. This recruitment process, then, works through informal social networks in the absence of any formal procedures. It is easy to see how it can lead to LECs being dismissed as "self-perpetuating cliques" run by unrepresentative elites out of touch with community needs.

HIE was quick to respond to the Nolan Committee's recommendations on appointments. Early in 1997 it announced the introduction of a new APO policy which, like ATO, would require LECs to conform to certain minimum standards. The key elements of this follow Nolan's recommendations closely, involving the preparation of job descriptions, published advertisements, and the establishment of a nominations panel. The latter is the most important aspect, incorporating independent representation from the local business community. Its function is to assess applications and prepare a short list for consideration by the board of directors. The initiative is designed to address criticisms of secrecy and self-interest by boosting the credibility and legitimacy of LECs:

Introducing this process does mean that a public perception of it being a closed-shop and the old-boy network is hopefully dispelled because anyone can apply and this independently represented panel actually puts forward the short-list, so it does encourage perhaps a wider field of people to come forward and hopefully gives it as more robust accountability as far as the public are concerned.¹⁹

APO represents a significant improvement in methods of recruitment, giving people the opportunity to put themselves forward as prospective directors. It should broaden the field of applicants beyond those informally approached by the existing board, opening up the process to groups marginalised and excluded by previous arrangements.²⁰ Fundamentally, however, LECs remain self-perpetuating organisations. Since they remain subject to the Companies' Act, the board retains ultimate responsibility for appointing new members. Although candidates are identified and assessed by more formal and open mechanisms, this will not make board of directors more representative of the communities they serve without an effort to accommodate candidates from marginalised groups.

The third 'layer' of accountability refers to initiatives taken by individual LECs. Membership schemes form one important mechanism for increasing the accountability of hybrid bodies which are formally constituted as private companies but deliver public services. They have been adopted by a number of TECs and LECs (Hart *et al.*, 1996). Essentially, they replicate the structure of private companies based on the concept of shareholder accountability. But applying this to LECs and TECs, which are non profit-making companies that lack share capital and shareholders, is contradictory (see p.196-97).²¹ It involves LECs trying to recruit a wider membership of interested individuals. The key element is that the members elect the board at an AGM, with all members being eligible to put themselves forward.

Two HIE LECs operate membership schemes: WIE and SALE (Table 7.1).²² While directors are, in theory, accountable to a wider constituency, there are practical problems in operationalising membership. These make it difficult to attract members and explain its slow take-up by HIE LECs. It is difficult for LECs to offer tangible benefits to members. Since they have no share capital, there are no financial gains to be made and they cannot as public agencies be seen to offer advantages such as privileged access to services. WIE's membership scheme has been faced with the problem of apathy, attracting only about 60 individuals, while SALE's more recent scheme, launched in the summer of 1997, attracted only five applications in response to the first round of advertisements.²³ After re-considering its scheme, INE decided to work more closely with the local Chamber of Commerce, one of the more active in the Highlands, providing the closest example in the Highlands to the mergers between TECs and Chambers that have taken place in England and Wales (Hart *et al.*, 1996). While these arrangements potentially make LECs more responsive, working closely with business organisations brings the danger that the exclusiveness of the board is reflected in the wider 'membership' (Nolan Committee, 1996: 69). In this way, LECs lack of representativeness could be accentuated. While membership schemes potentially make LECs accountable to a wider constituency, the tension between their formal structure as private companies and their substantive function in delivering a public service makes it difficult for them to achieve this objective. As hybrid (part

public, part private) organisations, LECs fail to meet the requirements of either public or corporate systems of accountability.

Another approach taken by LECs to improve their local accountability involves the development of sub-board structures, usually working groups or consultative groups, arranged on a sectoral or geographical basis. They are made up of interested members of the local community drawn from key sectors such as business, local authorities, and voluntary groups. They can be seen as another key arena in which accountability can be nurtured and developed, offering interested individuals an opportunity to hold LECs to account regarding their policies towards particular sectors or geographical areas. Two of the eight HIE LECs currently run working groups (Table 7.1). AIE runs 13 groups on a geographical basis, a response to the problems of serving a large and fragmented area, while SALE runs a similar number on a sectoral basis that meet twice a year.²⁴ One official argued that they help accountability as people demand responses to particular issues or problems they have with LEC policies.²⁵ From their survey of TECs, Hart *et al.* (1996) report a widespread confusion, however, over the function and influence of working groups. There is some evidence of this for HIE LECs: are working groups a forum for local residents to question and scrutinise aspects of LEC policy or is their function more consultative in providing LECs with ideas to inform strategies? The emphasis seems to be on the latter. For one participant, working groups benefit the LEC rather more than business in providing ideas for policies, though once these policies are formulated they benefit businesses.²⁶ Working Groups are valuable largely for this reason: they provide a mechanism for feeding the priorities of local groups into LEC policies. In contrast to ATO, which reports 'outputs', they offer scope for participation at the crucial 'input' end of the process. While working groups enhance accountability, their key contribution lies in their capacity to make LEC policy more representative of local priorities. Again, however, working groups are not strongly developed in the Highlands, largely due to a combination of public apathy and some LECs' tendency to rely on more informal consultative mechanisms.²⁷

In addition to the formal mechanisms discussed above, respondents tended to

stress more informal and personalised aspects of local accountability. These reflect underlying conceptions of local distinctiveness stressed earlier. Board members are active members of their communities, forcing them to give accounts, to justify and explain decisions to members of the public, as they go about their day-to-day business:

We're a size of community where ... you just cannot hide, if you go onto a LEC board ... then everybody knows and they know that they can come to you, and if they've got a complaint about the LEC then you're going to get it in the neck. That's accountability, if someone can come up to you in a pub ... on a Friday night and lambast you about the LEC that's accountability, it doesn't get more accountable than that, believe me ... I mean formal accountability and informal accountability amount to pretty much the same thing, and informal accountability in my opinion is more important ... because you're actually accountable to the people who are using your service as opposed to a couple of bureaucrats.²⁸

I would tend to suggest ... there is more accountability in an area such as Skye and Lochalsh than in Glasgow because we've to walk down the street ... you're personally accountable in an environment such as this, half of us are on social committee, village hall committees ... There's no hiding place in a community such as this, which is a very good discipline and it's a very distinct advantage in an area such as the Highlands and Islands as compared with the Central Belt where you can be extremely anonymous ... These 12 individuals we've got on our board give freely a lot of time but they're publicly held to account a lot in the local environment, ... it's a good discipline.²⁹

The nature of small close-knit communities thus gives LEC activity an immediacy and visibility lacking in urban areas. The first quote draws a clear distinction between this informal accountability and formal mechanisms, asserting the greater importance of the former as it makes LEC members and officials accountable to the people actually using the service as opposed to the state. This emphasis on personal contact and informal social networks is reinforced, according to one respondent, by the tendency of people with complaints or inquiries to approach LEC personnel that are personally known to them in the first instance.³⁰ This reinforces the previous chapter's argument that informal contact is crucial in generating the trust and understanding required for sustainable partnerships. An effective system of local governance depends upon close relations between organisations and communities in addition to inter-agency co-operation. These comments also indicate one of the ways in which LECs govern through communities, seeking to harness their capacities by mobilising established relationships and networks. The emphasis placed upon this almost 'subjective' sense of accountability, embedded in local social contexts (Day and Klein, 1987: 229-30), suggests that LEC directors and officials are motivated by a sense of public service to local communities.

This leads to the question of whether these informal processes can overcome the limits imposed by formal structures. This prospect seems to founder, however, on the issue of representativeness: if unelected boards are dominated by one particular constituency, then no matter how open they are to individual queries and complaints, the policies underlying individual decisions are unlikely to reflect the priorities of their communities. There is a sense in which a reliance on local contact and networks can shade into paternalism and elitism. Informal networks are likely to be dominated by already active groups who are close to board members, thereby reinforcing the exclusion of marginalised groups and reflecting established inequalities back into institutional structures.

This section has focused on a range of measures introduced in an effort to increase LECs local accountability. While these measures have encouraged LECs to explain and justify decisions to those affected - to offer accounts - at a fundamental level they make them answerable rather than accountable to local communities who continue to lack both significant policy input and effective sanctions over the services LECs provide. In the absence of local political accountability, the emphasis on the personal accountability of directors through informal networks threatens to reinforce LECs lack of representativeness. It is important, however, that the focus on efforts to strengthen accountability procedures does not lead to a neglect of more radical proposals to democratise unelected agencies, usually by making them subject to direct election (Stewart, 1995).

7.4. Institutional Practices and Community Action

Recent initiatives have strongly promoted 'bottom-up' or indigenous forms of development, emphasising local empowerment and community participation. Increasingly, this has come to reflect a general policy approach, set out in the Scottish Office White Paper of December 1995, and manifest through LEADER, the Scottish Rural Partnership Fund and the CAG (Community Action Grant) programme run by LECs.³¹ Discourses of local development, produced by and circulated through official

institutional networks linking the Scottish Office, HIE, LECs, and European funding bodies, mobilise and celebrate notions of local uniqueness, cultural specificity and community identity (Ray, 1996; Burnett, 1998). This emphasis reflects wider shifts in the orientation of development discourses, away from the traditional 'top-down' emphasis on external investment and modernisation towards a focus on mobilising endogenous capacities (Ray, 1997; Edwards, 1998; Day, 1998). These unifying discourses appeal to the entire community in the name of the 'local', constructing a *general* interest which masks the claims of *particular* groups. In concealing the contestation of concepts of 'local' and 'community' beneath a veneer of consensus, these discourses seem to function as part of a wider hegemonic project (Jessop, 1990b: 207-18, 1997b). Institutional practices invariably favour, however, the interests of some groups over others, though the prospects of particular groups are conditioned by the strategies they adopt. This section explores the impact of institutional rules and practices on community groups, arguing that the accessibility of state resources and capacities to groups pursuing their own distinct agendas is an important source of legitimacy.

Local fieldwork again uncovered substantial variations in relations between LECs and local communities. LECs were generally regarded as more open to community development in Skye and Lochalsh and the Western Isles. In the former in particular, local activists acknowledged LECs' support for community initiatives, although they often expressed concern at other aspect of the LEC's operations. In Easter Ross, however, the LEC was more heavily criticised for focusing on large-scale developments, inward investment and national training programmes. Whilst these findings do lend support to the idea that there is more community participation in the activities of island LECs (Arkleton Trust, 1997: 31), the distinction is far from absolute with respondents in the two island areas also expressing concerns about the structure and practices of the LEC network. Broadly, this pattern reinforces the pattern of local variations in inter-organisational relations discussed in Section 6.4, suggesting that the informal trust and co-operation required for effective partnership also promotes harmonious relations between public agencies and local communities.

HIE views social development as an important support for economic development in terms of developing skills and boosting confidence (HIE, 1991; *First Report*: 56) (Section 5.2). The vitality of community activity is stressed in HIE's efforts at regional 'boosterism' as an important part of 'quality of life' considerations used to promote the Highlands as a dynamic area and attract small-scale investment. The use of its powers for social and community development in an effort to create an 'entrepreneurial society' in the Highlands reflects HIE's origins as part of a Thatcherite project promoting business values and practices. LECs impose certain conditions on community groups seeking to gain access to state resources through the CAG programme, requiring them to raise their own funds and demonstrate an ability to finance their own activities in the long-term. These institutional rules and practices allow LECs to affect the behaviour of community groups by encouraging commercial practices. Again, applicants are not passive actors in this process; they retain some scope to adapt these practices to their own purposes.

The most basic rules structuring the delivery of CAGs, devised by the HIDB in the 1970s, require that groups are properly constituted and have open memberships.³² The CAG budget is 'ring-fenced' in block six of the funding regime (Section 4.5), giving LECs little capacity to vire funds in (or out) after the annual budget has been determined through the business planning process. CAGs are generally available for groups incurring capital expenditure on new buildings or equipment. Beyond these basic requirements, community groups are increasingly required to produce financial projections and plan future activities. For some activists, these requirements are making things more difficult for community groups:

I think it does put people off we applied to the LEC for money and they told us that we needed to do a business plan, though they did offer us a member of staff to help prepare the business plan. But it's quite frightening really ... they want a business plan and we're there what's a business plan? Community groups made up of volunteers aren't really geared up to business plans.³³

I don't think the agencies are very good at ... working with communities, they seem to prescribe more and tell communities how things should be done ... They're very strong on the economic side at business development but they don't really understand communities and how they work and the same with voluntary organisations, they don't understand them either ... The pressures on voluntary organisations are increasing all the time ... they're going to be required to produce business plans and all that rot that's in at the moment, and the legal specifications are tightening all the time.³⁴

Thus, the formalisation of these commercial practices demands more of community groups at a time when the burdens on the voluntary sector are increasing. The first respondent did recognise, however, that LECs are more accessible than other funding bodies, offering staff time to advise on the preparation of business plans and other requirements. The accessibility and approachability of LECs in providing advice as well as financial assistance was regarded as a crucial means of support for community activity.³⁵ It is important in granting the HIE Network the level of credibility and legitimacy it requires to operate effectively.

Another key way in which institutional priorities structure the process of community development is through the requirement that projects and initiatives are financially viable. In general, LECs do not offer long-term revenue funding, requiring that initiatives can at least cover their costs and preferably generate a profit:

We have to make a profit, that's one of the conditions of the thing, ... we're not getting any funding, we have to cover our costs and make a bit... we have to bring money in, otherwise we're not meeting the agreement and the funders, the Enterprise and others, can sort of pull the plug, and we have to give money to the Trust ... no one's going to bale us out if we're struggling ... But it's all locally owned, we're not trying to make a big profit and it all goes to local development.³⁶

This could be seen as another way in which commercial norms which are not necessarily appropriate for all community projects are imposed on the voluntary sector. For one observer, the emphasis on profitability means that LECs do not support certain activities that would have received funding in the past:

They're not as open as the HIBD were ... there's a big difference between the two for social projects and social care things, for example way back we got a grant for Crossroads [a social care scheme] from the HIBD, there's no way you'd get that from them now, yes it's far more business orientated, it's all about value for money ... things have to make a profit, and the wider service angle is going.³⁷

This reluctance to support 'social' projects reflects the impact of managerial 'technologies' in requiring that specific targets and outputs be attached to each project funded. In some respects, this has reduced LECs discretion to award funding to projects that address local priorities but which lack a clear spin-off in terms of economic development. The allocation of 'social' funding also reflects HIE / LECs readings of the extra-economic conditions for growth, favouring those projects that promise to boost local confidence and develop 'entrepreneurial' skills.

One key way in which rules limiting revenue funding are manifest is through "exit strategies" (Chapter five: 153-53). These refer to arrangements in which LECs' funding contribution to a project progressively declines over a specified period, usually three years. To avoid being seen as a source of 'subsidy', LECs work to ensure that projects are financially sustainable before making a financial commitment. The requirement for community groups to raise a share of the overall funding themselves ensures that only those projects with the commitment and organisation required to make them work in the long-term receive public funds. The first quote above (p.216) is referring to the Callanish Visitor Centre, established at a well-known historic site in West Lewis. This project has specified targets, in terms of visitor numbers required to generate the turn-over that would see it break even, attached to it. It is run by a community trust which uses the profits to fund other development projects in the area.³⁸ If it fails to meet these targets, there is no obligation for the funding bodies³⁹ to continue supporting the Centre. Another important initiative in the Western Isles is Harris Development Limited (HDL), established in 1994 as a partnership between the main public agencies and the local community in an effort to identify development opportunities for the depressed island of Harris. While HDL was jointly funded for the first three years by the WIC and WIE, the latter has an exit strategy in place for the second period with its contribution decreasing from 75 per cent (of half the total cost) in the first year to 50 per cent in the second year and 25 in the third. This is forcing HDL to search for alternative sources of funding to secure long-term sustainability. While it has been able to secure additional monies from the Rural Partnership Fund, these come with similar conditions as LEC funds.⁴⁰ The requirement to become self-financing make onerous demands on fragile communities which, after decades of underdevelopment, lack the capacity for self-sustaining development.

Managerial procedures also affect community groups through the pressure on LECs to ensure that all projects they fund contribute towards achieving key targets. For groups that are successful in accessing state resources, the need to achieve specified targets imposes on-going demands:

It does have an impact certainly, the targets and business plans that the LECs work with do sometimes impair community work and development, and we're campaigning on this at the moment to the big boys, just trying to get them to make their targets and expectations more

*realistic, because at the moment it creates real problems and a lot of worries for community groups ... Because their money has become attached to these totally unrealistic targets ... they're concerned that if they're not achieving these then they're going to lose their funding.*⁴¹

Targets are 'filtered' through institutional networks, with each level in the hierarchy setting targets for the subordinate level. Thus, the Scottish Office sets targets for HIE which, in turn, allocates these targets among the ten LECs (see Chapter five: 156-64). LECs then allocate these targets amongst the projects they fund through the year, requiring business, training providers and community groups to achieve specified outputs. Targets not only 'squeeze' the scope for local initiative at the HIE/LEC interface, then; they also structure the activities of voluntary groups, imposing a distinct managerial rationality that constrains their freedom of action. The continual pressure to 'up' targets and maximise value-for-money in the context of underlying resource constraints means that community groups are often confronted with unrealistic and unsustainable demands.

Of crucial importance in furthering community development is the role of the activists who mediate between communities and state agencies like LECs. Increasingly, official conceptions of this mediating role are shifting way from a focus on 'advisors' with its connotations of professional expertise and authority towards an emphasis on 'animators' employing more facilitative and enabling methods (Arkleton Trust, 1997: 55). This is bound up with the shift towards 'indigenous' models of development focused on capacity-building and the mobilisation of local resources. The crucial role of a small number of key people in running community organisations was stressed by a number of respondents:

I mean it boils down again to being able to work with ... key individuals ... without the people you have nothing, you must have the right people who are ... happy enough to progress these things ... Other ... areas that are lacking perhaps somebody who's very active in the community nothing happens, it's very difficult then to go in and get things ... rolling ... So you really need key people, people who are active in the community who can take the initiative and with a bit of assistance can progress things and get other people involved.⁴²

*What you find too is that it's always the same people on these bodies, you have overlapping membership almost all the time, there's always a few key individuals that are getting things done ... There's about three different committees here ... I suppose altogether the three committees cover about a dozen people so it's not that few for a small place like this, but then the active people tend to be few and that's what important I suppose because it's them that do things.*⁴³

There's a lot of overlap in membership, it's the same people in them or it tends to be quite a lot, so yeah there's a lot of exchange and the different organisations work quite closely together. ...

It varies a bit over time depending on who's involved, on the membership, it's an individual personality thing again, sometimes you'll get one or two strong personalities who'll keep things back, you always tend to get these clashes in small communities like this and it can be very frustrating.⁴⁴

The specific organisations being referred to here include community councils which, although organised on a voluntary basis, have a semi-official representative role as the lowest tier of the local authority structure, community associations and *ad hoc* committees and bodies set up to undertake specific initiatives and raise funds. People active in community groups are often seen as 'powerful' and 'unrepresentative' by less active members of the community (Shucksmith *et al.*, 1996: 449-61; Arkleton Trust, 1997: 44-5). However, while both the representativeness and the effectiveness of community organisations is often questioned, it is clear that, in the context of widespread apathy and scepticism, the knowledge and contacts possessed by key activists is often crucial in determining whether or not projects succeed (Arkleton Trust, 1997: 44-5).

Community activists do not passively respond to the requirements of state agencies. The principle of strategic selectivity suggests that although they are forced to engage with dominant institutional practices, their ability to gain access to state resources will be shaped by the strategies they adopt towards those practices (Jessop, 1990b, 1997b). For one activist, there is a certain 'knack' required to work the system and minimise the impact of organisational rules:

It's also just finding a way through the maze, a lot of groups can get frustrated quite early ... There's ways round these, I'm getting experience, and you find ways of working around their rules, not quite ignoring them but certainly getting round them.⁴⁵

Another way in which community groups can work the system to their advantage is by emphasising the potential role of projects in addressing LECs own priorities. This kind of appeal is undoubtedly more difficult for community activists than business applicants who can appeal to LECs core objectives, emphasising new job creation or, perhaps more persuasively, the jobs likely to be lost if funding is not forthcoming. HIE is keen to emphasise the importance of the voluntary sector, however, in generating employment and economic outputs (HIE, 1991/92, *Community and Economy*, 1996a). These claims provide activists with material that can be strategically deployed to argue for more resources. They can, for instance, argue that

actual patterns of resource allocation undermine HIE's strategic statements and emphasise the economic contribution made by the voluntary sector. This pressure has, for one activist, prompted one particular LEC to revise its attitude:

I also think the LEC in the area has improved enormously, they're much more open to the community side of things now ... I think they've improved a lot, they're not so business orientated now. I think they've had to realise now that the voluntary sector employs people too and brings a lot of money into the area, and that they have to support it.⁴⁶

The accessibility of LECs in terms of offering such support and guidance to community groups is a key way in which they generate credibility and legitimacy within local communities.

Activists' ability to adapt institutional practices to their own purposes suggests that there is some scope for local initiative and community involvement in LEC activities. Section 7.3 showed that there were few opportunities for communities to participate in policy-making. At the individual project level, however, LECs largely respond to ideas and initiatives of community groups. The Callanish Visitor Centre, widely cited as a successful 'model' of a new kind of partnership between agencies and communities, is the product of community action:

There was always a need for this being here, that was recognised ... It was really x [one key individual] from the community, it was from the community that the initiative came, you see it's no use... the Council or the Enterprise, they'll give you money for it all right, but you have to go to them, they won't start it off, someone from the community needs to get involved to start it off and get things to happen, and it was really x that got thing going with this... It was very much a vision x and the community had ... but there was a lot of consultation too.⁴⁷

The establishment of HDL owes rather more to institutional practices as the local authority became increasingly aware of the need to target resources on Harris, though the pressure exerted by a group of concerned residents seeking to mobilise the community and claim a larger share of public funds was also crucial.⁴⁸ While the above quote stresses that public agencies work on a fundamentally reactive basis, it is clear that the rules and procedures they deploy to respond to applications for assistance actively structure both specific initiatives and the wider process of community development. Consequently, only those projects which can meet LECs' criteria of viability and value-for-money have a realistic prospect of gaining funding. By adopting strategies that highlight certain aspects of projects consistent with these principles, however, community activists can use institutional practices and resources

to help them achieve their own objectives (Boyle, 1997).

Other local initiatives are the product of a more top-down process of mobilisation led by the agencies. This is particularly the case for those partnerships set in response to large-scale unemployment which seek to attract investment to regenerate more 'industrial' areas. Examples include the Easter Ross Initiative, the Caithness Initiative and the Cowal Initiative, all led by HIE/ LECs with local authority support (HIE, *Third Report* 1993/4: 2-6). Agencies efforts to target their resources for social and community development more effectively, often through the use of quantitative procedures to identify areas of greatest need, together with some local consultation, also involve pre-dominantly top-down methods. Even the increasing use of various forms of community appraisal, sponsored by LEADER in particular, whilst in some areas being carried out by community activists rather than consultants, reflects agencies' need to identify community priorities. Although appraisals can offer a valuable means of participation and empowerment,⁴⁹ they often run-up against the problem of delivery in that they may raise expectations which cannot be met, compounding problems of public apathy and disillusionment that had prompted the appraisal as a means of 'empowerment' in the first place (Arkleton Trust, 1997; 46, 51).⁵⁰

One long-standing source of controversy concerns the respective capacity of 'incomer' and local' groups to gain access to development funds (Shucksmith *et al.*, 1996: 219-46; Jedrej and Nuttall, 1996; Burnett, 1998). The perception that affluent incomers tend to claim disproportionate levels of financial assistance has fuelled criticism of development agencies since the early 1970s. For one local activist, echoing long-standing claims, LECs are biased against 'local' claims for assistance with routine activities, invariably favouring 'fancy' schemes promising clear outputs:

If local businesses try to get a grant they've no chance ... they keep moving the guidelines, it's very difficult to get money now ... They do give support ... but its got to be something they see as having an impact, not minor things like people's livelihoods in agriculture, and that's what should be supported down to every last dot of funding ... It all depends on who you are ... You hear the criticism ... that people go along to the LEC with a good plan and get turned down ... one ... guy ... who applied for a grant, he thought it was a good proposal but he got turned down, and his friend said to him you don't have an English accent, he was an incomer, I'll do it, so he went along and he got the grant.⁵¹

Similarly, it is the inclusion of 'non-locals' in lists - released through ATO - of those who have received financial assistance that often tends to generate controversy.⁵² There is no clear evidence to support claims that LECs are biased against 'locals'. Anecdotal evidence suggests, however, cultural differences in responses to institutional rules and procedures. 'Incomers' tend to be quicker to meet the demands of LECs for information and outputs than 'locals' who often expect assistance as of right, and thus seem to find it easier to gain access to state resources.⁵³ Given the lack of confidence and morale in many remote West coast communities, 'indigenous' residents are often less able, beyond a core of experienced activists, to adapt complex application procedures which demand long-term strategies to their own purposes (*cf.* Shucksmith *et al.*, 1996: 221-34). This controversy can be seen as stemming from a clash between dominant institutional practices and underlying 'structures of expectation' - fuelled by official discourses of development that have framed state intervention in terms of a need to 'redress history' - which emphasise indigenous 'locals' legitimate claim to development funding (see Chapter three).

One major source of community mobilisation in recent years has been the land issue. Land ownership has re-emerged in the 1990s as discourses of community ownership have been mobilised to great effect by a small number of communities, most notably in Assynt and more recently Eigg, who succeeded in raising enough funds to purchase their estates on the open market. This discourse has recently been appropriated and transformed by institutional actors seeking to adapt it to their own purposes. First, the then Conservative Secretary of State, Michael Forsyth, announced his intention in 1995 to launch a scheme encouraging crofters to take over the running of publicly-owned estates.⁵⁴ More importantly, in June 1997, the newly-appointed Scottish Office Minister responsible for the Highlands, keen to impose the stamp of the new Labour government on Highland development, instructed HIE to set up a Community Land Unit (CLU). The support offered by HIE to community ownership had hitherto been limited, reflecting a marked reluctance, inherited from the HIDB, to become involved in controversial questions of land ownership, together with a clear commitment to private-sector forms of development. In another demonstration of its impressive ability to anticipate wider shifts and react accordingly, however, HIE won

praise from the Minister for the speed of its response (*WHFP* 27.6.97).

The CLU effectively increases the scope for local initiative and community agendas, though again mainly at the individual project level, by requiring HIE to offer support and guidance to communities seeking to purchase land. It makes HIE-LEC resources more accessible to local communities, thereby increasing the network's local credibility and legitimacy. While HIE actually bought the Orbost estate in North-west Skye in October 1997 (*WHFP* 7.11.97) with the aim of creating new crofting settlements, this is seen as the exception rather than the rule. More generally, standard procedures are being deployed in support of community land initiatives with advice and support and assistance with the preparation of business plans being emphasised over direct financial assistance.⁵⁵ These practices structure local initiatives, both enabling them by offering funding and support and constraining them by attaching conditions which subsequently influence their development paths.

The long-term difficulties of sustaining involvement and ensuring viability which confront community groups are highlighted by the land purchase issue:

When you think about it purchase is only getting to the ... starting blocks, it's sustaining community involvement, including the resources over the long term after purchase is a major challenge, and when you think that some of these communities are very small and they suffer still from an element of braindrain ... People leave to go to the big cities ... for education or otherwise ... you've got a fairly fragile community quite often.⁵⁶

There's another interesting example of a project I've just remembered ... it's been proposed for it to move to community ownership ... it seems to be the way things are going, anyway it's been proposed that ownership should be handed over to the community there as well, and they really mean to the community council, but the question is ... what happens then? How does the community manage to take things over and run them successfully? Where does it find the money? These are all difficult questions, and community groups getting involved in that will need a lot of support.⁵⁷

Much of the rhetoric of 'community' ignores these practical difficulties. Crofters considering proposals for community land ownership have pointed out some of the difficulties, noting how communities can become divided by internal disputes and stressing the scale of resources and expertise required for successful development (Mackenzie, 1998). Communities have different capacities, reflecting varying levels of cohesion and fragmentation. In particular, problems of fragmentation within communities, stemming from a recent history of economic decline and social decay

and sometimes associated with high levels of in-migration, often tend to block participation and development (Arkleton Trust, 1997: 47-8).

LEC personnel tended to emphasise the importance of performance and 'results' in overcoming negative perceptions and establishing good relations with local communities. For them, improving local economic conditions took precedence over abstract discussions on accountability:

The results that are being achieved by this format are the proof of the pudding and what I would suggest to you is that the commercial rigour introduced by this process is the acid test, that we are getting successful companies, we're getting growing companies, we're getting fewer business failures and the dynamic in the economy is that much more powerful. Unemployment in ... January was 8.9 per cent, I don't know when it was last 8.9 per cent in January but that's a long-time ago and that reflects a diversifying of the economic base and lots of small-to-medium sized businesses that are successful, that are growing.⁵⁸

I think we should be measured by what we do, the impact of what we do, the projects we assist and the quality of them and the outcomes from these projects ... We don't strive to go out and build up trust, we strive to do a job right and that brings trust ... I think because of how we've done our job here people have realised that we're actually quite good at what we do ... and I think that's given us a degree of respect.⁵⁹

Thus, trust and respect are seen as by-products of effective performance and efficient operation, with improvements in unemployment and other economic outputs providing objective evidence of success. The first respondent stresses the role of the commercial practices deployed by LECs in generating these outputs. These practices, introduced as part of a managerialist agenda, privilege economic efficiency over local political accountability. For performance-based narratives, economic growth is everything. This "all-encompassing local growth imperative" achieves legitimation through accumulation, as a by-product of the growth process (Hay, 1994: 20). By prioritising growth and achieving tangible improvements in economic conditions, development agencies expect to gain credibility and trust within local communities. Wider 'social' issues are addressed through the growth process. For instance, several respondents employed 'trickle-down' metaphors with one official arguing that investment in businesses is LECs "most significant contribution to social welfare" because it generates the employment and income needed to improve social facilities and stimulate community activity.⁶⁰

There is some evidence that the emphasis on economic growth and the

recognition of the important role of the voluntary sector is improving relations and generating trust. Some community activists report that LECs' attitudes towards community activities have changed considerably:

They've improved on the community side a lot, they've now definitely reversed things, I would have said in answering that question ... two years ago that they were much more business-orientated and that the community side was fairly marginal, but that's changed, a lot of the recent developments have been community led ... I've certainly found the LEC supportive and helpful and even if they don't fund you they'll say why not which is different from other bodies like the Lottery who don't tell you anything, the LEC will tell you what you should do to have a chance of getting funding, ... produce a business plan or do a feasibility study, whatever.⁶¹

This view was not shared universally, being the product of one activist's frequent contact with a LEC. The wider public in these areas lack any sustained contact with LECs and tend to remain more sceptical of organisational agendas and practices. Other activists felt that LECs were poorly equipped to serve the needs of the community sector, seeing them as orientated towards business development and criticising the fragmentation of the public sector which forces groups to move between a range of public agencies with specialised remits.⁶² Applicants' frustrations tend to be expressed through a discourse of 'the people' versus officialdom (Jessop, 1982: 247-52) which mobilises underlying perceptions of public agencies as part of a self-serving state bureaucracy. The contrasting view of LECs as community conscious seems to reflect the situation in Skye and Lochalsh in particular where relations between SALE, other public agencies and community groups are generally positive (see also Section 6.4).

The above quote represents SALE as accessible to community groups, stressing that, in contrast to other funding bodies, it offers support and advice on the requirements groups have to meet to obtain funding and provides explanations if applications are unsuccessful. While dominant institutional practices impose certain requirements on community groups seeking state resources, activists do not passively respond to these requirements as the notion of 'hegemonic project' suggests. Rather, as they gain experience, community activists, like business applicants, acquire the ability to make creative interventions in the allocative process, adopting strategies that make projects appeal to LECs own objectives. Consequently, they develop a (limited) capacity to adapt institutional rules to their own purposes. In the absence of local political accountability, the accessibility of LEC resources becomes an important

source of legitimacy, helping successful groups to achieve their own objectives while at the same time addressing local development requirements.

7.5 Conclusion

I don't think you can argue with that, they are not accountable in the sense that say a local authority is accountable, personally I don't think that a local authority is all that accountable either, but at least every so often you get a chance to throw the buggers out so to speak which with a LEC you don't. So ... it isn't accountable, and short of having the directors democratically elected it will never be accountable in a direct sense, no Quango is accountable in that way.⁶³

This chapter has argued that LECs remain largely unaccountable to local communities. As part of an unelected local state, their 'representational regime' privileges the interests of local business elites, displacing and marginalising local authorities, organised labour and the voluntary sector. As such, LECs remain fundamentally unrepresentative of the balance of local interests and agendas. Although a range of measures introduced in response to widespread criticism make LECs more answerable to local communities, they remain unaccountable as local residents lack effective sanctions whilst the key policies that underpin individual decisions are not open to debate. Moreover, the emphasis on informal forms of accountability through personal social networks threatens to increase the marginalisation and exclusion of less active groups. In the longer-term, there is a danger that the withdrawal of the state from certain spheres in favour of community self-help will reinforce existing lines of marginalisation. Emerging structures of community governance are likely to be 'captured' by already active groups, strengthening the *elite localism* constructed around the mobilisation of business representatives and community leaders (Peck, 1995).

The scope for community involvement and local agendas exists primarily at the individual project level. This reflects the lack of mechanisms enabling communities to participate in policy formation. The local priorities that are fed into HIE strategy and its implementation through the business planning process are LEC priorities. Community groups do not, however, passively respond to institutional practices and rules which, as forms of state organisation, tend to favour the interests of some groups over others (Jessop, 1990b, 1997b). By developing the expertise to 'translate' these practices and to appeal to LECs in the latter's own language, activists

can gain access to state resources and capacities. This accessibility allows business and community groups to use LECs to help achieve their own agendas and thereby represents an important source of legitimacy in the absence of local political accountability.

Notes

¹ LEC director, interview 7.7.97.

² HIE official, interview 1.11.96; Scottish Office official, interview 18.12.96.

³ HIE official, interview 1.11.96.

⁴ Senior LEC official, interview 26.6.97.

⁵ See Section 6.2.

⁶ LEC director, interview 7.7.97.

⁷ LEC director, interview 5.8.97; local newspaper editor, interview 3.7.97. See also Chapter four, p.105-06.

⁸ LEC official, interview 5.3.97.

⁹ See Chapter three (p. 62) for a definition of this term.

¹⁰ Senior LEC official, interview 26.6.97.

¹¹ See Section 5.2 for discussion of the development of this strategy.

¹² Senior LEC official, interview 12.3.97; LEC director, interview 7.7.97; local newspaper editor, interview 3.7.97.

¹³ LEC official, interview 5.3.97.

¹⁴ LEC official, interview 5.3.97; senior HIE official, interview 14.11.97.

¹⁵ Quoted in *WHFP* 18.2.1994.

¹⁶ See Section 5.4.

¹⁷ Community activist, unrecorded interview 4.7.97.

¹⁸ Local councillor, unrecorded interview 30.7.97.

¹⁹ Senior LEC official, interview 12.3.97.

²⁰ Interestingly, a number of Highland councillors applied for vacancies on the HIE board in late 1997. Perhaps more revealingly, none were appointed.

²¹ Even for private companies the practice of shareholder accountability is flawed. In a world of large corporations and powerful financial institutions, the individual shareholder's ability to monitor company performance closely and call executives to account is limited.

²² Shetland Enterprise also runs a membership scheme.

²³ LEC official, interview 31.7.97; Local councillor, unrecorded interview 26.6.97.

²⁴ LEC official, interview 26.3.97; Senior LEC official, interview 25.6.97.

²⁵ Senior LEC official, interview 25.6.97.

²⁶ Local business person, unrecorded interview 8.7.97.

²⁷ One LEC stopped running consultative groups after finding it difficult to attract external interest, finding that meetings tended to be dominated by a narrow band of officials drawn from the main public agencies (LEC official, interview 14.5.97.)

²⁸ LEC official, interview 5.3.97.

²⁹ Senior LEC official, interview 26.6.97.

³⁰ Senior LEC official, interview 26.6.97.

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- ³¹ See Section 6.2.
- ³² HIE official, interview 25.11.96; LEC official, interview 5.3.97.
- ³³ Community worker, unrecorded interview 26.6.97.
- ³⁴ Community activist, unrecorded interview 21.5.97.
- ³⁵ Community worker, unrecorded interview 19.5.97; Community worker, unrecorded interview 26.6.97.
- ³⁶ Local business manager, unrecorded interview 7.8.97.
- ³⁷ Community activist, unrecorded interview 11.8.97.
- ³⁸ Local business manager, unrecorded interview 7.8.97.
- ³⁹ In addition to WIE, WIC, SNH, the STB, WISL LEADER, and Historic Scotland contributed towards the £695,000 cost of the Centre.
- ⁴⁰ Community activist, interview 11.8.97.
- ⁴¹ Community worker, unrecorded interview 19.5.97.
- ⁴² LEADER field officer, interview 29.7.97.
- ⁴³ Community activist, unrecorded interview 21.5.97.
- ⁴⁴ Community activist, unrecorded interview 27.5.97.
- ⁴⁵ Local business person, unrecorded interview 27.5.97.
- ⁴⁶ Community worker, unrecorded interview 26.6.97.
- ⁴⁷ Local business manager, unrecorded interview 7.8.97.
- ⁴⁸ Community activist, interview 11.8.97.
- ⁴⁹ LEADER field officer, interview 29.7.97.
- ⁵⁰ Community activist, interview 21.5.97.
- ⁵¹ Community activist, unrecorded interview 4.7.97.
- ⁵² LEC official, informal conversation August 1998.
- ⁵³ LEC official, informal conversation August 1998.
- ⁵⁴ This was to be strictly limited to public land, with Forsyth criticising proposals to extend it to private estates as "Leninist" at a meeting of the Highlands and Islands Convention in Stornoway in early 1997 (*WHFP* 7.3.97).
- ⁵⁵ HIE official, interview 4.11.97.
- ⁵⁶ HIE official, interview 4.11.97.
- ⁵⁷ Community activist, unrecorded interview 21.5.97.
- ⁵⁸ Senior LEC official, interview 12.3.97.
- ⁵⁹ LEC official, interview 31.7.97.
- ⁶⁰ Senior LEC official, interview 12.3.97; also HIE official, interview 1.11.96; LEC official, interview 14.5.97.
- ⁶¹ Community worker, unrecorded interview 26.6.97.
- ⁶² See second quote on p.213, note 34.
- ⁶³ LEC director, interview 7.7.97.

Chapter 8

Practising State Regulation

8.1 Introduction

This thesis has focused on three key questions (p12-13). These concern relations between LECs, HIE and the central state, particularly in terms of how tensions between local initiative and central control have been accommodated and worked out; the structuring of partnerships between the HIE network and other local organisations, particularly local authorities; and the scope that local institutional arrangements allow for local initiative and community involvement. The research has been informed and structured by a distinctive theoretical approach drawing on relational theories of the state and writings on governmentality to strengthen its regulationist assessment of local governance in the Scottish Highlands.

This concluding chapter sets out the principal research findings and considers their implications for both policy and related academic research. Section 8.2 emphasises that LECs operate within a context of structured flexibility and points to the continuing importance of government in underpinning local governance. Section 8.3 links the research to policy debates on the local state and economic development. Section 8.4 assesses the implications for the theoretical perspectives informing the project. By relating specific findings to on-going theoretical debates, this research aims to advance the research agenda. Accordingly, the thesis ends by identifying directions for future research (Section 8.5).

8.2 Managerial 'Technologies', Local 'Translation' and Structured Flexibility

The opening quote (p.1) identified a tension between local initiative and central control. This reflects the effects of the localist rhetoric deployed to recruit business elites in fostering expectations of local autonomy which clashed with established modes of public accountability. The thesis emphasised the 'new

managerialism' as a central strand of Conservatives' efforts to extend political control over the public sector. To a considerable extent, the 'new managerialism' involved a re-modelling of the public sector on private sector practices and discourses. In this sense, it was part of the same agenda as the appointment of business elites to the boards of local state agencies. In practice, however, as this thesis has shown, these aspects of Conservative policy came into conflict as managerial 'technologies' subjected local business elites to forms of control not found in private companies and which the rhetoric of business leadership had led them to expect would not be a feature of LECs and TECs.¹

The central finding of the research is that the tension between local initiative and central direction has been worked out in a way which leaves the HIE network more centralised than the official rhetoric of local autonomy and flexibility implies. The impact of 'managerial' technologies of targeting, audit and financial controls undercuts LECs' localist rhetoric and enables central government to ensure that the interventions of local agencies are compatible with its political priorities. Together with its role as the source of finance and in structuring LECs' 'representational regime', this gives the central state the capacity to monitor and steer the activities of the HIE network.

Yet, as this thesis has shown, the local impact of managerialism is crucially mediated by the Scottish Office and HIE as intermediate tiers of the state. Chapter five showed how the 'authoritative resources' of the HIE core, grounded in the local knowledge and technical expertise inherited from the HIDB, are deployed to 'translate' and adapt central priorities. This is one crucial way in which regional institutions make a difference relative to the situation in England and Wales where the direct impact of managerial 'technologies' on TECs has fostered competition and cost-cutting (Peck and Jones, 1995; Jones, 1998b). HIE's role in translating central priorities illustrates the crucial position of sub-national agencies as key institutional channels through which regulatory practices are interpreted and ultimately delivered (Goodwin *et al.*, 1993: 69; Goodwin *et al.*, 1995: 1249-50; Goodwin and Painter, 1996: 645). This thesis has shown how local delivery tends to be mediated by the

distinct capacities and practices of regional institutions. The autonomy of regional agencies, however, is only ever relative. This research also demonstrated the limits to HIE's powers. As the analysis of targeting showed (Section 5.3), HIE cannot resist such central directives, only mediate and contain their (local) impact. HIE has been unable to resist the disciplines of output-related funding, although it has deployed routine institutional practices to contain the threat of 'institutional Darwinism' in the form of inter-LEC competition.

At the same time as HIE has sought to counter some potential effects of central directives, the force of the rhetorics of accountability which accompany these directives has seen HIE internalise key managerial norms. The effects of an organisational culture that privileges operational efficiency over strategic deliberation and appraisal makes HIE particularly receptive to the demands of 'managerial' technologies. Consequently, the structure of power relations within the network can be seen as the product of a merging of internal and external (central) rationalities (see p.142, 153-54).

The thesis has argued that managerial 'technologies' force LECs to operate within a context of structured flexibility. While LECs retain some scope both to feed local priorities into organisational policy through the business planning process and then adapt that policy to the requirements of their respective areas, their capacity to do so is at the same time constrained and regulated by institutional rules and norms. Targets, audit, business plans and the rules constraining virement between budget blocks structure the operating regime, limiting LECs' autonomy, while rules on viability, displacement and additionality subject processes of business appraisal to underlying managerial norms. Nonetheless, HIE LECs seem to have more scope to exercise local flexibility than TECs in England and Wales. This capacity is rooted in the integrated structure of the HIE Network where routine forms of communication and interaction between LECs and the HIE core have generated mutual understandings. These understandings have subsequently been embedded and stabilised within institutional norms and procedures. Local flexibility tends to be exercised, however, by state managers (HIE and LEC officials) rather than by LEC

directors, suggesting that the emphasis on the mobilisation and articulation of business agendas (Peck and Tickell, 1995b; Jonas, 1996; Jessop, 1997b, d) underplays the continuing significance of state rules and procedures in constraining the actions of local business elites.

The corollary of LECs' dependence on managerial forms of accountability to central government is a lack of local political accountability. One of the distinctive contributions of this thesis was to examine the relationship between local agencies and the community, a relationship that is often overlooked by 'institutionalist' accounts which focus on the production and articulation of organisational strategy without considering its reception within local communities. Chapter seven showed that, despite a range of measures introduced in response to public criticism, LECs remain unaccountable to the local communities they serve. At the same time, however, the state resources which LECs manage and allocate are accessible to local residents. While applicants are forced to work through certain institutional practices, they retain, as strategic calculating subjects, some scope to adapt these practices to their own agendas and, thereby, to exert pressure on LECs by appealing to the latter's objectives and pre-occupations. This local accessibility gives the LEC network a (limited) legitimacy that allows it to operate efficiently and avoids major opposition in a region where a history of underdevelopment and an official discourse of 'development' has produced 'structures of expectation' demanding state intervention to support local development.

This is not say that state procedures do not generate resentment among prospective applicants. The principle of 'strategic selectivity' emphasises the differential effects of state rules and practices. It suggests that LECs' resources are more accessible to some groups than others. Although access is shaped by the particular strategies that actors and groups adopt, institutional rules such as the need for applicants to provide a share of their own capital, produce business plans and approach the LECs themselves favour those already active in business over, say, the unemployed. Within the business community itself, the effects of rules on displacement in making some sectors ineligible for assistance generates some

resentment (see Section 5.4). This resentment tends to be expressed in terms of a discourse of 'the people' versus officialdom (Jessop, 1982: 247-52). Frustrated applicants mobilise underlying conceptions of bureaucracy to cast LECs as agents of an unresponsive state whose internal rules and procedures are governed by internal logics of organisational order rather than by a desire to serve the public. This points to an important contradiction: while Thatcherism derived much of its initial force from its capacity to mobilise 'popular discontents' with the Welfare State (Hall, 1988a, b), and 'Thatcherite' institutions like LECs were instructed to minimise 'bureaucracy', such reforms have in effect created their own bureaucracy which imposes certain requirements on 'customers'.² This research has sought to problematise notions of local hegemonic projects, arguing that the (local) reception of such projects is actively structured by the pre-established objectives and orientations of particular groups (Boyle, 1997). The capacity of such groups and individuals to obtain state resources and capacities through LECs is an important source of legitimacy.

The thesis also examined the recent refiguring of state regulation which has emphasised local partnerships and networks. It found that the politics of partnership are structured and conditioned by the effects of earlier processes of state restructuring. In particular, the creation of special-purpose local agencies to by-pass local authorities generated certain tensions and resentments which affect the quality and sustainability of partnerships. This is not to deny the fact of routine co-operation. Limits on the remit and capacities of individual agencies within a plural system of local governance and the perceived pressures for co-operation to promote economic development that stem from underlying 'structures of expectation' encourage HIE / LECs and local authorities to work together. At the same time, however, the unequal impact of state restructuring remains a source of tensions which limit the effectiveness of 'networking' and make it more difficult to generate trust. The analysis of the Objective 1 programme (Section 6.3.3) showed how state agencies (the Scottish Office and HIE) dominate the decision-making process. As a result, the partnership functions at a distance from local concerns and priorities. It is wholly reliant on such concerns being fed in through formal institutional channels. At the local level, the research found considerable variation in inter-organisational relations. Extensive co-operation and

informal networking based on an underlying 'reservoir' of trust in districts like Skye and Lochalsh and Lochaber contrasts with political tensions and personality clashes in Caithness and the Western Isles. Since the conditions for effective partnership are locally specific, they cannot be easily created in areas where these conditions are absent (see Section 6.4). To the extent that state initiatives conceive of partnership as a set of formal institutional relationships, they neglect crucial underlying determinants of effectiveness and sustainability.

The emphasis on institutional practices and routine procedures, supported by notions of governmentality, points to the continuing importance of hierarchical mechanisms of control. As such, the evidence presented in this thesis questions the notion of a linear shift from local government to governance. It points instead to the on-going refiguring of the relations between government and governance in specific local and regional contexts (Jessop, 1997d, 1998a; Goodwin, 1998b). The experience of the Scottish Highlands demonstrates the presence of governance prior to 1979 in the sense that a succession of unelected state agencies have operated throughout the twentieth century in an effort to address the particular demands of political-economic regulation in a 'problem' region. As suggested above, it also stresses the continuing presence of government after 1979. While the expansion of the unelected state has complicated and fragmented institutional structures in the region, 'quangos' like HIE are accountable to central government rather than to local communities or other local organisations. Resultant problems of 'horizontal' coordination and local participation underpin the recent emphasis on partnerships and networks.

The continual re-figuring of the relationship between governance and government in particular local and regional spaces must be seen as a product of the nation state's efforts to respond to the demands of economic 'globalisation' (as both process and discourse). The Conservative Right sought to re-design and re-scale the state in response to the crisis of Fordist-Keynesian modes of intervention (Hay, 1995; Jones, 1998b: 982). As an 'external' interest, business was incorporated into the state structures to enhance the state's capacity to promote growth by expanding its repertoire of techniques of intervention and introducing new commercial norms into

the public sector. The effect was to forge a new 'representational regime' that privileges the interests of business as a key element in the 'social base' of the Conservative state whilst marginalising groups like organised labour and elected local authorities who were identified as responsible for state failure in the 1970s.

The rise of local governance, manifest in a series of unelected local agencies led by business elites, is a product of this process. Official discourses construct local agencies as necessary responses to the demands of economic competitiveness in a global economy. By unleashing the drive and enterprise of business leaders, these institutional forms promote the flexibility and innovation required for survival in a turbulent social and economic environment (Jessop, 1998a). As this thesis has shown, however, the flexibility and autonomy of local agencies is constrained and channelled by the centre's continuing need to ensure that their interventions do not clash with national policy. Specific managerial 'technologies' such as targeting, audit and budgetary structures give the central state the capacity to monitor and steer local institutional networks. The effect is not one of simple 'hollowing-out'. While the relativisation of scale has seen certain functions devolved to the local level, this has not been accompanied by a corresponding shift of power and influence (Goodwin, 1998b). The much-proclaimed rise of the 'local' is as much rhetorical as real, and the nation-state retains its importance as the key site for the regulation of economic and social relations.

8.3 Towards a 'Local-Democratic' Mode of Representation

After over thirty years of state-sponsored economic development through the HIDB and HIE, the Highlands' seem to be in stronger economic position. The relative economic performance of the region has improved, bringing it closer to the Scottish and British averages (HIE, 1996a: 5).³ While this shows that, on an aggregate level, 'boosterist' discourses have some objective basis, the Highlands remains one of only three British regions poor enough to qualify for Objective 1 funding in the 1994-1999 period. Aggregate improvement also disguises severe local difficulties. For the Western Isles and much of the Western mainland, thirty years of development has

done little to improve their relative position.

Processes of economic change present the Highlands with both opportunities and constraints. Supra-national integration has seen a centralisation of agricultural and fishery policies which has diminished local control over crucial resources, while impending monetary integration threatens to constrain the ability of peripheral regions to adjust to external economic 'shocks'. At the same time, however, the decentralisation of routine production and administration functions provides sources of investment. A number of back-office and call-centre developments have been attracted to the Highlands since 1991, particularly in the 'inner zone' surrounding Inverness and extending North to Caithness. Indeed, processes of regional centralisation, rooted in commercial and industrial development around Inverness and arguably encouraged by institutional intervention, are deeply implicated in the continuing difficulties of many outlying areas. The flow of people and resources towards Inverness increases the 'leakage' of resources from local economies. This trend also suggests that the effects of broader economic shifts are spatially differentiated within the region, accentuating and transforming established patterns of inequality. While these forces are beyond the control of regional development agencies like the HIDB and HIE, there is little doubt that major investments in the Inner Moray Firth area which they have supported have contributed to this trend. The continuing problems of much the West coast after thirty years of development indicates that the geographical inequalities produced by processes of capital accumulation present state intervention with fundamental limits.

Recent development policy and practice has emphasised the importance of fostering indigenous capacity in order to provide sources of innovation and enterprise (Amin and Thrift, 1994a, 1995; Storper, 1995, 1997; Morgan, 1992, 1998). These issues take on particular importance in terms of equipping peripheral regions with the conditions enabling them to compete in a global economy. Development strategy in the Highlands reflects this with HIE emphasising the need to improve small-and-medium sized firms' competitiveness and capacity for innovation (Section 5.2). Yet this thesis has uncovered evidence that these efforts tend to be undermined by the

impact of 'managerial' technologies. Section 6.3.3 showed that the Objective 1 programme's emphasis on short-term outputs makes it more difficult to support efforts to build up long-term capacity. The latter would require a change of culture away from short-term targets, something ruled out by the prevailing emphasis on efficiency and value-for-money (Morgan, 1998). In terms of the FFB programme also, there is evidence that the emphasis on outputs creates a bias towards action and delivery that works against the adoption of more deliberative and strategic approach. This is compounded by the reactive nature of the regulatory procedures deployed by state agencies whereby they respond to applications and enquiries for business assistance rather than taking initiatives themselves. Several respondents stressed the demands placed on business and community groups seeking assistance by the rigid and cumbersome nature of LEC's procedures. There is a clear need for the centre to scale down its 'surveillance' of local agencies in order to encourage local development. These changes would require an assessment of the function and effectiveness of 'contract culture' (Gray, 1997). It also needs to encourage the adoption of a more strategic and flexible approach within HIE itself. The emphasis on targets in particular reflects a lack of trust within institutional networks which seriously undermines the scope for 'local solutions to local problems'. With New Labour's emphasis on fiscal prudence requiring it to maintain the managerialist and competitive ethos of development policy, however, the prospects of a change in emphasis appear remote.

The thesis has also addressed issues of LECs' accountability and representativeness. These questions have been the subject of considerable political controversy since 1991 with critics emphasising unelected 'quangos' lack of local political accountability. While LECs' local accessibility in terms of offering resources for businesses and community groups gives them limited legitimacy, the 'local elitist' mode of representation (Peck, 1992, 1995) which they embody privileges the interests of business over other sections of the local community. Although the 'quango' issue has lost much of its political heat since the 1997 General Election, this is not the result of significant reforms. Despite some radical pre-election rhetoric, Labour policy is channelled through state forms inherited from the Conservatives, reflecting, in part, its commitment to a neo-liberal accumulation strategy (Goodwin, 1998b; MacLeod and

Goodwin, 1999).⁴ It soon became clear that LECs were not going to be abolished, as some had hoped, and their powers transferred to local authorities. The fact that the nine Regional Development Agencies (RDAs) to be created in the English regions in April 1999 are to be business-led shows Labour's commitment to existing modes of representation and neo-liberal accumulation strategies (DETR, 1997; MacLeod and Goodwin, 1999; MacLeod and Jones, 1998).

While the structure of representation on HIE and LEC boards remains unchanged, some significant individual appointments have been made in recent months. Most significantly, Dr Jim Hunter, a prominent land reformer and crofting activist, was appointed HIE Chairman on 13 October 1998 (Maxwell, 1998). While previously involved as an HIE board member and chairman of SALE, Hunter's appointment to head HIE in many ways represents a bold step for the Scottish Office, sending strong signals on the importance of land reform in particular to the government's Highland 'agenda'. His reputation as the "acceptable face of radicalism" (*WHFP* 23.10.97) contrasts with that of his predecessor, Fraser Morrison, whose appointment was based upon business success as head of Morrison Construction. As chairman, his emphasis was very much on offering a positive image of the Highlands to attract potential investors and satisfy central government.⁵ In contrast, Hunter is expected to emphasise 'community consciousness' and early speeches have acknowledged local economic difficulties and explored the prospect of HIE requiring assisted companies to improve wages and conditions (*WHFP* 20.11.98). The development and implementation of these initiatives is likely to prove difficult, however, given the prevailing culture of managerialism and the dominant role of HIE's Chief Executive and senior officials relative to the Chairman.

Although the focus on the unelected 'quango' state has faded since Labour's election victory, this thesis has shown that underlying problems of accountability and representation remain unanswered. Arguably, the lack of post-election reform reflects the fundamental limits to democratisation within current structures.⁶ Real 'openness' is incompatible with the practice of self-selecting boards. But since LECs remain subject to the Companies Act, new directors continue to be appointed by the existing board.

And despite some significant improvements, the overwhelming emphasis on managerial forms of accountability to central government tends to be at the expense of local political accountability. Statements of democratisation within existing structures were widely interpreted as signalling an increased role for elected councillors on LEC boards, though there have been few indications of this actually happening.⁷ It also seems as if the transfer of powers over HIE from the Scottish Office to the Scottish Parliament has discouraged radical policy initiatives in the interim period.

Although critical of many of the assumptions and agendas upon which the Enterprise Networks are based, this thesis does not recommend that LECs be abolished and their powers transferred to local authorities which in many cases have a less than illustrious track record in promoting economic development (*Stornoway Gazette* 21.5.1998). It stresses the need to make LECs more accountable and representative of the communities they serve. The thesis questions the assumption that that business leaders are blessed with unique insights and experiences that justify a two-thirds majority on public boards. That is not to say, however, that they have no valid contributions to offer economic development policy. It is to insist that this contribution does not justify a 'representational regime' that privileges their interests over other sections of the community. There is a need for LECs to be made more representative of public bodies, the voluntary sector and 'ordinary' residents and less representative of the private sector. To be fully open and representative, this would probably require that LECs become statutory public bodies. While private company status effectively means self-selection, there is much to be said for the principle of local appointment. But this would have to involve a second independent body, perhaps initially based on the nominations panels recently set up by LECs, though going beyond them to incorporate a wider range of interests.

There is also a need for central regulation to place relations between LECs and local authorities on a more equal footing. Closer co-operation is required to ease tensions and increase the effectiveness of 'partnerships'. Local Economic Forums provide a basis for this (Section 6.4), but it will be difficult to maximise their potential in the absence of a statutory framework requiring LECs to consult over their business

plans and strategies.

8.4 Emphasising the Practice of State Regulation

The arguments contained in this thesis have been informed by a regulation-centred approach which has drawn upon insights from neo-Gramscian state theory and writings on 'governmentality'. Section 2.3 drew upon recent contributions to emphasise regulationism as method, identifying a number of guiding principles for concrete research. Jessop's writings on state theory were then reviewed and crucial issues regarding the accessibility of state structures to different social groups and associated modes of representation emphasised. Both these approaches tend to focus primarily on the formulation and articulation of projects and strategies and the national level, though they provide valuable insights for local research. This raises questions about how such strategies are 'interpreted' and 'delivered' through institutional networks (Goodwin *et al.*, 1993: 69; Goodwin *et al.*, 1995: 1249-50; Goodwin and Painter, 1996: 645), and points to the need for conceptual 'tools' to inform analysis of these processes. This is the role played by notions of governmentality: they focus attention on the practical mechanisms deployed by state agencies to regulate local and regional spaces.

This emphasis directly follows Painter and Goodwin's call for research to focus on the "contingent interaction" of regulatory practices grounded in distinct local contexts. As part of an emerging 'new' regulationist research agenda, this thesis has emphasised (regulatory) process and practice over structure (Mode of Regulation). In conclusion, it argues that there is a need to pay more attention to the practical mechanisms and procedures of local and regional governance in concrete research. While it is difficult to over-stress the importance of Jessop's work in re-working Marxist state theory and generating insights which can be operationalised in local research, associated research needs to ensure that an emphasis on the social bases of state power does not lead to a neglect of the effects of institutional forms and practices in structuring and channelling power relations. In this sense, there is a need to problematise the constitution and design of local state institutions rather than taking

them for granted as sites which hegemony is exercised through and from (MacLeod and Goodwin, 1998). Further, research needs to guard against becoming so pre-occupied with the production and articulation of organisational strategies and discourses that it loses sight of their reception. As this thesis has shown, local residents are not passive 'consumers' of these discourses. Rather, they actively engage with institutional practices and strategies as part of their efforts to realise pre-existing objectives. Thus, local residents are, at most, only partially constituted and incorporated by particular hegemonic projects (*cf.* Boyle, 1997). More fundamentally, this argument questions whether, in centralised states like the United Kingdom, local state institutions actually need to develop 'hegemonic projects'. While themes of enterprise and self-reliance certainly structured HIE's early interventions, there is no evidence that these themes have re-shaped the fabric of regional society.⁸ Although such themes seem to have been absorbed within local discourses of development and growth, this is not the product of any calculated 'project'.

It is important to consider how some of these conclusions have been shaped by the nature of the research project itself. First, there is a sense in which its findings are regionally-specific. The thesis has focused on one particular region rather than offering cross-regional comparative research. The emphasis on state rules and procedures reflects this focus: it is, in part, a product of the weakness of business representation in a peripheral region and the historic dependence on state intervention. While in this sense the specific regional focus can be seen as a limitation, it is also a positive feature of the research design. In particular, the focus on a peripheral region lacking a strong tradition of business activism (and, arguably, a distinct business class) is designed to provide a counter to research focusing on business mobilisation in areas with a strong tradition of business activism (Peck and Tickell, 1995b; Jonas, 1996; Horan, 1997; Holden, 1998). Second, in focusing on the politics of local governance, this project has 'backgrounded' economic processes. While this reflects its substantive concerns, it has arguably led to a neglect of the role of economic mechanisms in conditioning processes of state regulation (but see Section 8.3). As such, the thesis reflects the characteristic tendency of 'new' economic geographies to emphasise how economies are constituted through extra-economic mechanisms over

the effects of economic processes on politics and the state (and social and cultural life). Regulationist research needs to consider the role of political *and* economic processes in its accounts of uneven development and state regulation (see below).

Third, it is important to recognise methodological limitations. As in all research projects, the 'outputs' presented here are products of the sequence of operational decisions taken along the way. More specifically, the nature of this project as a three-year PhD imposed limits. While conducting seventy interviews enabled this account to be constructed from a range of perspectives, these interviews offer only retrospective accounts of how on-going processes are viewed and represented. 'Triangulation' was crucial in gaining access to 'external' voices and enabling the reception of organisational discourses and strategies within local communities to be assessed. But the fluidity and contingency of individual roles and organisational boundaries soon became apparent with community activists' and business leaders' role in representing their own constituencies mediated by their contacts with state agencies.⁹ In no sense does the thesis claim to be based upon some privileged access to the 'grass-roots' or 'ordinary' people. Rather, the incorporation of 'external' groups broadened the range of perspectives on the research problem and enabled the thesis to address key research questions relating to the scope for local initiative and the local reception of organisational discourses. This points to the importance of maintaining the 'relational' emphasis of Jessop's work (Jessop, 1982: 252-58; Jessop, 1990b) in the sense of avoiding a narrow institutional focus on organisational agendas that fails to explore the local conditions shaping their production and reception. Organisational rules and norms function, in part, to structure interactions with the 'public', though this does not mean that the 'public' respond passively to them.

8.5 Future Directions

The final task of this concluding chapter is to suggest directions for future research. It is important to emphasise that the points below are suggestions: they are not definitive statements designed to privilege certain questions over others. Further, the attention is not to build a 'new' regulationist theoretical edifice but to use ideas and

observations that have emerged from the thesis to identify new research questions. Four key issues are identified.

1. This thesis has emphasised the importance of state rules and practices in constituting and structuring the politics of local governance. It has sought to contribute to the regulationist theorisation of "how governance is produced in and through local state institutions" (Horan, 1997: 154). There is much work yet to be done on these issues. In particular, we need more analysis of how regulation is (locally) 'interpreted and delivered' through institutional networks. This requires that further attention be paid to the kinds of managerial 'technologies' and mechanisms emphasised in this thesis - targeting, audit, business plans, financial controls. It is not these mechanisms *per se* that are of interest, but their effects in mediating and structuring relations between social forces contesting power. This echoes Jessop's remarks that while the state has no power as such, only the power of the social forces acting through it, their power is crucially mediated by institutional capacities and liabilities (Jessop, 1990b: 269-70). The qualification is important in avoiding any tendency to reify and essentialise specific 'technologies' (for example, targets) as neo-Foucauldian theorists arguably come close to (Section 2.5). With this rejoinder in mind, theories of governmentality and actor-networks remain useful - as this thesis has tried to show - in informing analysis of institutional practices in general and, more particularly, in terms of assessing local and regional actors' capacities to adapt and 'translate' central directives.

2. It is also important to consider how economic relations and economic forms structure state regulation and local governance. In the absence of this, it will be difficult for emerging 'new' regulationist research agendas to avoid the tendency to over-emphasise the autonomy of political forces and political discourses. What is particularly important here is that regulationist analyses consider the effects of processes of uneven territorial development, something that may be best served by a re-assessment and development of 1980s work informed by political economy (Harvey, 1982, 1985; Massey, 1984; Martin, 1988).

3. The discursive construction of local economies is a process emphasised in this thesis (especially Sections 2.3 and 5.2). This is an exciting and innovative research agenda attracting a range of regulationist-informed research (Leyshon and Tickell, 1994; Painter and Goodwin, 1995; Painter 1997b; Jessop, 1997b, d; MacLeod, 1997b; Holden, 1998). Yet it seems incompatible with the above emphasis on the political effects of economic processes. In many ways, however, this incompatibility is more apparent than real. What is perhaps of most interest to regulationists here is how the production, circulation and reception of 'discourse' is structured by extra-discursive factors. More specifically, this directs attention towards the ways in which pre-existing economic forms structure local economic strategies and the role of underlying 'structures of expectation' in mediating local reception of these strategies. Strategies are representations of local economies and there is a need to focus on how the 'narrating' process is shaped and conditioned by both the pre-existing structure of the local economy and underlying patterns of strategic selectivity which lead strategies to privilege certain sectors and areas as 'targets' for intervention (Section 5.2). As Jessop (1997d: 30-31) suggests, the local reception of strategies is dependent on their resonance with the 'personal' narratives and experiences of particular audiences. The concept of 'structures of expectation' provides one 'tool' for conceptualising how the expectations and agendas of local groups limit and condition processes of strategy formulation and implementation.

4. The continuing emphasis on partnership requires further research to problematise official constructions of partnership, specify conditions for effective partnerships and consider how partnerships are related to state restructuring, in particular the tendency for government to withdraw from certain spheres. The latter tendency also raises questions about the future of local partnership structures given the continuing constraints on state resources. The consequences of the impending enlargement of the EU for areas like the Scottish Highlands adds further interest to these questions.

Notes

¹ LEC director, interview 7.7.97, see quotes on page 1 (note 1.1) and page 158.

² Or, perhaps more accurately, they have transformed existing bureaucracies, re-modelling them on neo-liberal principles.

³ Since early 1993, for instance, the Scottish and Highland (HIE area) unemployment rates have fluctuated around the same level, 8 to 10 per cent. They have both shown a slight decline towards 8 per cent from 1995/96, though this trend is masked by pronounced seasonal fluctuations in the Highlands (HIE, 1996a; *cf.* Table A.2.2.2).

⁴ From a 'strategic-relational' perspective, this shows the close relationship between state forms and state strategies (Jessop, 1990b; *cf.* Goodwin, 1998b).

⁵ LEC official, private conversation November 1998.

⁶ This is what Labour was emphasising as the basis of its approach to the Enterprise Networks in the immediate post-election period.

⁷ Indeed, none of the councillors who applied for places on HIE board in 1997 were successful (see Chapter seven, note 20).

⁸ Arguably, the HIDB was more successful in this respect, reflecting the close organic relationship between its emphasis on economic modernisation and pre-existing (local) discourses of development, though this project did provoke considerable opposition in the late 1970s (Section 3.3).

⁹ This was, at the same time, precisely the point of interviewing them.

Appendix 1

Research Design

1.1 Distribution of Interviews by ‘Rounds’ of Data Collection

Round 1

10 interviews: 7 with HIE; 1 with Highland Council; 1 with Scottish Office; and 1 with European Partnership. 9 conducted in Inverness, 1 in Edinburgh.

November 1996 to January 1997.

Round 2

9 interviews: 5 with LECs; 4 with local authorities. LECs: CASE, INE, MBSE, Lochaber Limited, AIE. All local authority interviews with Highland Council (Sutherland, Inverness, Badenoch and Strathspey, and Lochaber areas).

March 1997.

Round 3

Study Area 1- Easter Ross.

12 interviews: 3 with RACE, 2 with Highland Council (Ross and Cromarty area), 4 with businesses, 3 with voluntary and community groups.

May 1997.

Round 4

Study Area 2- Skye and Lochalsh.

15 interviews: 4 with LEC, 2 with Highland Council (Skye and Lochalsh area), 3 with other public agencies, 4 with businesses, 2 with voluntary and community groups.

June/ July 1997

Round 5

Study Area 3- Western Isles

16 interviews: 4 with LEC, 3 with Western Isles Council, 3 with other public agencies, 4 with businesses, 2 with voluntary and community groups.

July/ August/ September 1997.

Round 6

8 interviews: 5 with HIE, 1 with Highland Council, 1 with European Partnership, 1 with HOST. 6 conducted in Inverness, 1 in Strathpeffer, 1 in Edinburgh.

October/ November 1997.

1.2 Distribution of Interviews by Response Groups

- 16 with LECs.
- 12 with HIE.
- 13 with local authorities.
- 3 with Area Tourist Boards.
- 2 with European Programmes.
- 1 with the Scottish Office
- 4 with other public bodies (Further Education Colleges, Housing Association, local development agency, Harris Tweed Authority).
- 12 with local business people.
- 7 with community groups.

For purposes of coding and analysis, the interviews were aggregated into four groups:

- Regional: 18 interviews, rounds 1 and 6.
- LECs: 16 interviews.
- Local authorities: 13 interviews.
- Local/ External: 23 interviews (local business people, other public bodies,

community groups).

1.3 Sample Schedules

For LEC Interviews- from Study Area 1.

- Local formation of LEC 1991, transition from HIDB/Training Agency at local level.
- formation of RACE, why Ross and Cromarty rather than larger Moray Firth LEC: relationship between local aspirations and central priorities such as need for balance between areas.
- bid to Scottish Office, role of local business.
- recruitment of staff, transferred from HIDB/ Training Agency area offices.
- founding statements/ documents: strategy, services, etc.

- Internal structure of LEC: divisions and activities.
- change over time, why?
- Problems of integrating training and economic development in practice.
- Structure defined against that of predecessors, i.e. HIDB, reflecting LECs conception of its role.
- Local offices?

- Area
- internal unity, difference between Wester and Easter Ross.
- state of local economy: improved since 1991, role of RACE in this.
- Structure (firm size, etc.) and sectors. Distinctive from rest of Highlands?

- Development of strategy, role of HIE.
- transmitted downwards from HIE or significant LEC input?
- scope to adapt to local conditions.
- Sectors targeted by HIE relevant to local economy?

- Allocation of funding from HIE.
- based on business plan, three-year or one year?
- outline process, negotiations and priorities.
- allocation among blocks and programmes, extent of virement. Scope to adjust

according to local circumstances.

- link with setting of targets, performance/output related funding.

- Significance of business leadership.
- relationship between Board and senior staff, division of labour.
- difference from HIDB/ Training Agency
- nature of local business community, extent of mobilisation? Relations with business organisations.

- Mechanisms for local accountability.
- Formally required: newsletters, publications, ATO.
- Informally evolved: membership schemes, sub-committees, account managers.
- Partnership: commitment, role of key individuals and historical factors in shaping relations with local authorities.

For Local Authority Interviews- from Study Area 1.

- Transition from districts and regions.
- Significance of Ross and Cromarty being only district to have economic development service. Reasons for that.
- Effects of transition on ED service and area.
- Staff.

- Area structure of council: committee and staff for each service, Area committee?

- Local formation of LEC 1991, construction of LEC map, local demands.

- State of local economy: perceptions of this. Structure and sectors.

- Services offered at area level: point of contact or more pro-active role, initiating projects?

- Strategy for ED: pull-down of regional strategy into areas, scope for local flexibility?

- Distinctive input of Council to ED relative to LECs: - importance of being democratically accountable, broaden ED agenda.
- Perceptions of LEC, lack of local accountability- democratic deficit- a problem, give focus but lack local input. No mechanism to ensure responding to local agendas.
- Different cultures yet common interests?, practical resolution of contradiction.
- Changes to LEC system, COSLA's call. Need for business involvement and commercial confidentiality impediments to change?

- Relations with LECs.
- Different cultures yet common interests?, practical resolution of contradiction.
- Role of individuals and historical factors in conditioning institutional relations.

- Partnership, LECs as committed as rhetoric suggests.
- Structure and direction of partnerships: unequal with senior and junior partners.

- Evaluation of programme impact: monitoring, measuring, targeting.

- Europe: Objective One and LEADER- European programmes, local take-up of Objective one, perceptions of programme, problems with it.
LEADER , structure of partnership, local impact

- Training:
 - public-sector marginalised?
 - constraints imposed by national programmes on local capacity.
 - access for disadvantaged, practice of LECs here.

Appendix 2

Regional and Local Area Profiles.

2.1. The Highlands and Islands: A Regional Profile

Table A 2.1.1. Population, HIE area

1961	1971	1981	1991	1995
304,161	307,532	353,513	369,242	372,788

Source: HIDB, *23rd Report* 1988: 64; HIE, 6th Report 1996/7: 102.

Table A 2.1.2 Unemployment and Seasonality, HIE area

Unemployment		Seasonality
June 1996	Jan' 1997	Difference %points
8.1	9.0	0.9

Source: HIE, *Sixth Report* 1996/7: 101.

Since the early 1970s, the economic position of the Highlands and Islands relative to the rest of the country has improved (Geddes, 1984; McCleery, 1991). Over a century of population decline has been reversed with aggregate population levels increasing since the late 1960s (Table A 2.1.1). Much of the demographic growth experienced in the 1970s was attributable to the labour demands of oil-related industrialisation in Easter Ross and Shetland in particular (McCleery, 1991). In the 1980s, however, a more multi-faceted experience of counter-urbanisation accounted for much of the population growth. Outlying areas perceived to offer a high-quality environment such as Skye and Lochalsh, Wester Ross, parts of rural Argyll and Lochaber, together with Badenoch and Strathspey have benefited most (Table A 2.2.1) (McCleery, 1991). At the same time, the scale of in-migration in other peripheral areas like the Western Isles and the North-west mainland has been insufficient to reverse traditional patterns of out-migration, reflecting the entrenched structural problems that continue to afflict these areas. And the areas industrialised in

the 1960s and 1970s such as Easter Ross, Lochaber, Caithness and Nairn have faced major problems of de-industrialisation and structural adjustment as key installations have closed or contracted.

A key feature of local labour markets in the Highlands relates to the seasonality of employment, with unemployment rates typically peaking in January (Table A 2.1.2). Table 5 shows that this pattern is particularly marked in the most tourist-dependent parts of the West Highlands like Skye and Lochalsh and Lochaber, indicating that it stems from the tendency of the tourist sector to shed labour in the winter. In terms of employment structure, the under-representation of manufacturing remains a feature of the Highland economy. Despite the industrialisation efforts of the 1960s and 1970s in particular, at 10.5 per cent in 1991 (about 9.5 per cent in 1995) manufacturing employment remained well below the Scottish and British levels of 19 and 21.2 per cent respectively (Table A 2.1.3) (EDAW CR Planning/ Dep. of Land Economy, University of Aberdeen, 1995: 59). This is balanced by a high dependence on the service sector, and public services and tourism (distribution, hotels and catering) in particular (Table A 2.1.3). The primary sector remains important, particularly as a source of output as employment falls, while the under-representation of business services provides another indicator of the Highlands' economic fragility (Table 2.1.3). The relatively high level of self-employment at 17 per cent in 1991, having risen sharply since 1981, points to the distinctiveness of the region's labour markets. It stems from the existence of occupational pluralism in crofting and fishing and the growth of small businesses in the tourism and craft sectors.

Table A 2.1.3 Employment Structure, HIE area

SIC (Standard Industrial Classification)	1991	1995
Agriculture, forestry and fishing	6,361	4,061
Energy and water	3,196	2,178
Manufacturing	20,293	17,690
Construction	10,943	10,381
Distribution, hotels and catering	40,742	40,536
Transport and communications	10,241	8,458
Business services	15,632	16,319
Other services	51,283	50,488
(Of which public admin. education and health)	44,625	n/a
Self-employed	30,196	n/a
Total	188,887	150,113

Source: Segal Quince Wicksteed, 1997, Highlands and Islands Objective 1 Programme, Intermediate Assessment, Final Report: 22; HIE, Economic Update, April 1997; HIE, *Sixth Report* 1996/7: 102. (data originally derived from 1991 Census of Employment, 1991 Census of Population and 1995 Annual Employment Survey).

2.2 Local Economic Profiles

Table A 2.2.1. Population change 1981-95 by LEC area

LEC area	1981	1991	1995	1991-95 % change
Argyll and the Islands	70,118	71,500	69,489	-2.8
Caithness and Sutherland	40,949	39,88	39,240	-1.6
Inverness and Nairn	67,058	73,090	75,690	3.6
Lochaber	19,491	19,310	19,520	1.1
Moray, Badenoch and Strathspey	32,698	33,122	34,209	3.3
Ross and Cromarty	46,924	49,100	50,700	2.4
Skye and Lochalsh	10,621	11,740	11,940	1.7
Western Isles	31,548	29,400	29,040	-1.2
Orkney	19,182	19,560	19,780	1.6
Shetland	26,347	22,540	23,090	2.4
HIE area	364,936	369,242	372,788	1.0
Scotland	5,180,200	5,107,000	5,136,600	0.6

Source: HIE, *Sixth Report*, 1996/97: 102.

Table A 2.2.2. Unemployment and Seasonality by LEC area

LEC area	Unemployment		Seasonality
	Rate Jun-1997	Rate Jan-1998	Difference % points
Argyll and the Islands	5.8	7.3	1.5
Caithness and Sutherland	7.2	9.1	1.9
Inverness and Nairn	6.6	7.0	0.4
Lochaber	4.1	6.5	2.4
Moray, Badenoch and Strathspey	5.1	5.5	0.4
Ross and Cromarty	8.4	8.6	0.2
Skye and Lochalsh	6.9	9.8	2.9
Western Isles	8.0	10.2	2.2
Orkney	3.4	3.8	0.4
Shetland	3.4	3.8	0.4
HIE area	6.3	7.5	0.2
Scotland	6.4	6.2	-0.2
UK	5.4	5.2	-0.2

Source: HIE, *Sixth Report 1997/98*: 98.

Table A 2.2.3. Employment Structure, Ross and Cromarty- Study Area1

SIC	1981			1991		
	Males	Females	Total	Males	Females	Total
Agriculture, forestry and fishing	1,560	150	1,710	1,1900	260	1,450
Energy and water	330	20	350	480	80	560
Manufacturing	3,570	490	4,060	2,530	630	3,160
Construction	2,740	300	3,040	2,060	180	2,240
Distribution, hotels and catering	1,710	2,170	3,880	1,580	2,490	4,170
Transport and communications	570	2320	800	790	220	1,010
Other services	1,900	2,610	4,570	2,770	4,120	6,890
Total	12,470	6,030	18,500	11,720	8,020	19,740

Ross and Cromarty constitutes two distinct economic units as the industrial towns of the Cromarty Firth contrast sharply with remote crofting communities on the West coast (Fig 1.1). The traditional basis of the economy has been in agriculture, with Easter Ross in particular offering some of the best land in the Highlands. In Wester Ross, in contrast, small crofting/fishing communities have struggled to survive as their traditional industries have declined, leading to depopulation. Easter Ross benefitted more than any other part of the Highlands from the industrialisation efforts of the 1960s and 1970s as the development of North Sea oil offered a range of on-shore opportunities at a time when the HIDB was prioritising the development of the Moray Firth area. Projects such as the Invergordon smelter and Nigg platform fabrication yard attracted labour from outwith the region. The resultant influx of population transformed the social structure of the area, causing considerable dislocation.

In the 1980s a serious down-turn in oil-related fabrication followed the closure

of the Invergordon smelter in 1982 (reflected in fall of manufacturing employment 1981-91, Table A 2.2.3). Easter Ross became an unemployment blackspot with industrial dereliction and associated social deprivation blighting its economic prospects. In response to these entrenched problems, the Invergordon-Alness area was designated a Enterprise Zone by the Scottish Office in 1983, allowing it to attract a range of industrial investments (RACE, 1990, *First Business Plan*). The rural areas of Wester Ross benefited from counter-urbanisation in the 1980s with the re-population of places like Gairloch and Torridon bringing considerable regeneration. The new 'light' industries attracted to Easter Ross in the 1980s and early 1990s proved unable to fully absorb the labour shed by the smelter and oil-related sectors, and a further wave of major redundancies at Nigg in 1992/3 intensified the difficulties of the area.

Table A 2.2.4. Employment Structure, Skye and Lochalsh- Study Area 2

SIC	1981			1991		
	Males	Females	Total	Males	Females	Total
Agriculture, forestry and fishing	430	0	430	550	90	640
Energy and water	110	10	120	90	0	90
Manufacturing	150	80	230	220	40	260
Construction	610	20	630	630	20	650
Distribution, hotels and catering	330	630	760	420	870	1,290
Transport and communications	260	100	360	320	120	440
Other services	470	310	780	610	920	1,530
Total	2,400	950	3350	2,850	2,090	4,940

Skye and Lochalsh experienced more than a century of de-population, reflecting the protracted decline of traditional activities like agriculture and fishing. However, the strength of crofting has allowed the retention of a larger population than would otherwise have been the case (Macmillan, 1996). After being by-passed by industrialisation in the 1960s and 1970s, the 1980s and 1990s brought dramatic economic and demographic growth (Table 4) as 'quality of life' in-migration injected capital and entrepreneurial skills into the area, resulting in the expansion of tourism and craft industries in particular. While Table A 2.2.4 appears to underestimate the importance of tourism, Table A 2.2.2 reveals that Skye and Lochalsh as the most tourist-dependent economy with the greatest seasonal range of unemployment (2.9 per cent). Local sources have estimated that about 60-65 per cent of the area's GDP is directly or indirectly related to tourism (LEC Chief Executive, June 1997). While this represents a considerable economic strength, such dependence also brings a certain vulnerability to external changes in tourist demand, illustrated by the impact of the recession of the early 1990s on visitor numbers and spending. In terms of the structure

of the local economy, Skye and Lochalsh is dominated by small businesses in tourism, crafts, the primary sector and local services with manufacturing in particular and business services heavily under-represented (Table 12).

Table A 2.2.5. Employment Structure, The Western Isles- Study Area 3

SIC	1981			1991		
	Males	Females	Total	Males	Females	Total
Agriculture, forestry and fishing	500	20	520	670	70	740
Energy and water	140	20	160	350	10	360
Manufacturing	1,640	400	2,040	980	280	1,260
Construction	1,330	40	1,370	1,450	60	1,510
Distribution, hotels and catering	690	880	1,570	710	970	1,680
Transport and communications	840	90	930	580	130	710
Other services	1,410	1,870	3,280	1,560	2,730	4,290
Total	6,610	3,320	9,930	6,340	4,250	10,590

According to the first Chairman of WIE, the new agency inherited responsibility for the most “economically fragile and structurally disadvantaged” part of the United Kingdom (WIE, 1st Report: Foreword). While it is economically the most marginal of the LEC areas, the Western Isles is, at the same time, the heartland of crofting and the Gaelic language. The twentieth-century history of the islands has been one of depopulation. Compared to other parts of the West Highlands, however, the Western Isles has maintained, particularly on Lewis, population density in rural areas. Central to this has been the system of occupational pluralism whereby crofting has been combined with other activities, most importantly fishing and the weaving of Harris Tweed (Mewett, 1977). In recent decades, these traditional industries have been in decline. This has been partially offset by the expansion of ‘modern’ service sector employment and small-scale manufacturing. In the 1970s, re-organisation of local government in 1975 which created the all-purpose Western Isles Council and the establishment of a fabrication yard at Arnish near Stornoway provided the local

economy with a boost sufficient to slow population decline during the 1970s and early 1980s (Table 4).

A survey conducted by the Fraser of Allander Institute in 1988-89 (published in 1991) provides, in combination with Census figures, useful insights into the structure of the local economy. Local government (included in other services in Table A 2.2.5) was the most important sector, accounting for 27.4 per cent of employment and 26.5 per cent of output. It was followed by fisheries with 17 per cent of employment, construction and textiles. While tourism has expanded in recent years, it remains less developed than in other parts of the West Highlands, notably Skye And Lochalsh.

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