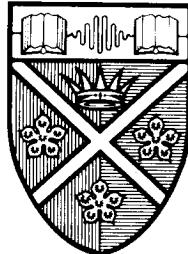


# STRATHCLYDE PAPERS ON GOVERNMENT AND POLITICS



## *A PARADOX OF FREEDOM: INTERVENTIONISM IN THE SCOTTISH ECONOMY*

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A PARADOX OF FREEDOM?  
CONSERVATIVE INTERVENTIONISM IN THE SCOTTISH ECONOMY

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Introduction - the growth of interdependence in the UK

The advent of a radical conservative government in Britain in 1979 was claimed to be a political and economic watershed. Prior to this there had been a fairly steady growth of government intervention associated with the development of interdependencies whereby unions, management and government over the post-war period gradually began to work together. It has been argued that this was essential to the workings of advanced capitalism. The working class was no longer passive and unorganised but active and able to control and accurately direct its power to such an extent that governments could be brought down as occurred in 1974. Tripartism was seen as one of the ways in which working class power could be, to some degree, incorporated and diffused.<sup>(1)</sup> Powerful sections of the working class could be persuaded to moderate their demands, so it was felt, by convincing them that the use of their freedom to strike would directly lead to negative effects on other sections of the working class. Instead of free collective wage bargaining, it was argued that representatives of the workers had to take into account the general interest of the trades unions and of the wide social impact of their actions. In this way some sections of the working class were constrained. In return for "moderation" the organised working class were given an increased role in how the economy was planned and especially in levels of public expenditure on social reproduction and income maintenance. In addition government maintained and recognised the legitimacy of the role the unions played.

If this general movement towards tripartism was ever true it suffered a setback in 1979 when "at a stroke" the new Conservative government seemed destined to smash the post war consensus, undermine the rights of unions and follow an economic creed in which tripartism had no place.<sup>(2)</sup>

The Conservative government apparently turned its back on developing corporatist patterns, backed by some influential theorists such as Mancur Olson,<sup>(3)</sup> who in a recent book argues that much of the inefficiency in government can be put down to its over reliance on powerful interest groups in society which reduces both its flexibility and its capacity for action.

In this paper we look at a few examples of how both Labour and Conservative governments in practice managed critical issues related to problems of economic regeneration in order to see whether there really has been a "roll-back" of the state. We suggest that far from allowing the free play of market forces, there has developed, under the Conservative government, a concerted policy of reluctant interventionism which looks remarkably similar to the stance of the previous government. Indeed in some respects, such as expenditure to prop up certain industries, the Conservative government has gone further than the Labour government. After examining these trends we turn briefly to try to explain why such an apparently paradoxical situation developed.

#### Political and economic conditions for interventionism

The political and economic conditions that led to the growth of government intervention in the Scottish economy in the 1970s included a steady rise in unemployment and a political demand for the government to respond to the flight of multi-national enterprises. Government was engaged in a learning process in coping with crises such as the demise of Upper Clyde Shipbuilders and the collapse of Chrysler. Such efforts, though in the long term unproductive, reinforced the need for increased powers to be given to the Secretary of State for Scotland. In 1972, the Scottish Economic Planning Department was set up to provide assistance

to industry. In 1975, additional power and responsibility for all industrial policy in Scotland was concentrated in the hands of the Secretary of State who henceforth appeared in Cabinet as the Scottish Industry Minister. As such, he was empowered to develop policies aimed at the special problems of Scotland, even when they were at variance to the views of the Secretary of State for Industry in London. In addition, in 1975, the Scottish Development Agency was set up and became, in relative terms, the largest regional development agency in Europe. This public interventionist response to the deindustrialisation of Scotland, however, did not stop an increasing loss of jobs. Indeed, historically record levels of unemployment were reached accompanied by what has been called "the retreat of multinationals".<sup>(4)</sup>

Scottish trade unions have argued that "the 1970s have seen a collapse of employment in newer firms who came in bringing with them modern industry such as Timex, National Cash Register, Massey Ferguson, Goodyear, Talbot, Monsanto, SKF, Hoover, Burroughs and Standard Telephones and Cables". Most of these firms were situated in west central Scotland, already badly hit by unemployment. Hood and Young estimate that "between 1976-81 a number of foreign owned firms closed down which at their maximum provided nearly 45,000 jobs in Scotland".<sup>(5)</sup> The effects of this can be seen in the following table which outlines job losses by sector since 1979.

It can be seen from this table that during these years the engineering sector has been badly hit with a reduction of almost a quarter of the workforce. The area hardest hit by this economic crisis is the Strathclyde Region, where over 18% were unemployed in 1983 amounting to over 200,000 people. The picture is critical in some of the "one industry" towns such as Clydebank, Irvine, Motherwell and Linwood. Areas such as Cunningham and eastern Glasgow have been disproportionately affected with unemployment rates of over 30% becoming common.

TABLE 1

## EMPLOYMENT IN SCOTLAND BY S.I.C. (Figures in '000s)

	<u>Food</u>	<u>Coal, Petrol- eum and Chemicals</u>	<u>Metal Manu- factur- ing</u>	<u>Eng- ineer- ing</u>	<u>Text- iles</u>	<u>Other Manu- factur- ing</u>	<u>Cons- truc- tion</u>	<u>Gas and Utili- ties</u>	<u>Trans- port</u>	<u>Dis- tri- bution</u>	<u>Fin- ance &amp; Profes- sions</u>	<u>Public Admin.</u>
March '79	89	34	36	256	93	96	164	29	132	232	657	149
June '82	76	29	26	185	66	75	130	28	123	220	679	150
Net Loss (Gain)	-13	-5	-10	-71	-27	-18	-34	-1	-9	-12	(+22)	(+1)
% Loss												±

(Derived from Employment Gazette)

Governmental response and crisis management

Despite the rhetoric of the Conservative government in Westminster attacking interventionism, the reality in Scotland seems to be significantly different. Instead of disengaging the state from the economy as one might expect, the Secretary of State for Scotland has been closely involved in all the major industrial problems of the country ranging from attempts to prevent the closure of the enormous Ravenscraig steelworks to the unsuccessful bid to keep the Invergordon Smelter works operational.<sup>(6)</sup> In more positive terms the government has created over 3,000 jobs in Scotland between 1978-81, and in eastern Scotland government has aided growth in oil related jobs which rose from 5,000 in 1977 to almost 50,000 in 1981. Another positive development has been the growth of electronics which now employs over 40,000 people based significantly on government financial encouragement.

The government's response to growing economic crisis has been to use selective financial assistance and a variety of physical and structural measures to aid capital formation. Over £230m has been spent on assistance to industry including on average £400,000 for every overseas owned company setting up or expanding in Scotland. The most important organs of the state involved in this are the Scottish Economic Planning Department (SEPD),<sup>(7)</sup> the Department of Industry and the Scottish Development Agency.

The ability of governments to assist multinationals and the limitations on such actions can be illustrated by looking at two case studies paradigmatic to the Scottish problem - Chrysler and Invergordon. More important still, they reveal an underlying practical policy - convergence transcending ideological difference.

The State and the Chrysler crisis

In 1975, after mounting difficulties, Chrysler gave the UK government an ultimatum. They threatened to close down their UK operation which directly or indirectly employed 55,000 in the UK unless the government gave them aid. In return for seats on the Board and a Planning Agreement a total of £162m was committed to Chrysler between 1976-79. The Labour Secretary of State for Scotland was at that time threatened politically by the growth of Scottish Nationalism and by pressure from within his own party. Economically and politically, therefore, he could not envisage the sacking of 7,000 workers in Linwood. However, Chrysler continued to make losses in 1976 and 1977 amounting to £63m and a further £20m in 1978.

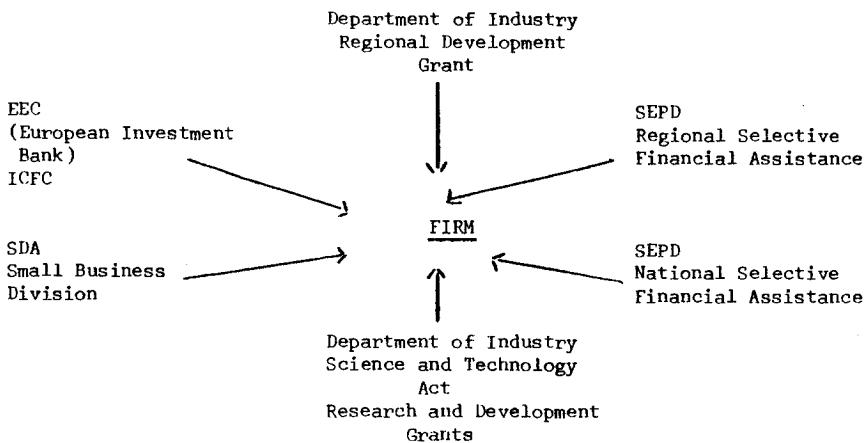
It came as a complete surprise to the Scottish Office in August 1978, when Peugeot/Citroen took over Chrysler for \$230m cash. No prior warning was given to the Scottish Office. This sudden action broke the Planning Agreement. Nevertheless, the government had little option but to negotiate with the new company in order to get as good a deal as possible to protect employment and to retain car-making in Scotland. However, Peugeot also began to make losses and decided to rationalise. As a consequence, in May 1981, 4,700 workers were sacked and the Linwood plant was closed. Despite the recommendation of the unions, the workforce, dispirited and fatalistic, voted not to fight the closure. Hood and Young see this as an example of "multinational imperialism". The firm used public facilities and loans to keep going but at the same time knew that future prospects were poor. The Scottish Office, alarmed at the real possibility of mass unemployment stepped in to provide finance that the US parent company was not prepared to invest.

The Chrysler crisis could be represented as the acme of politico-economic interdependency. The crisis generated an interventionist response by a Labour government committed both to interventionism and armed with a

series of new and potentially radical powers. The Chrysler crisis was the first example of a Planning Agreement being used to elicit co-operative action in a tripartite response - the workforce, management and government - to industrial decline.

#### Conservative intervention

Is there evidence that in Scotland the advent of a radical Tory government has led to a separation of the political and the economic? As far as the state agencies are concerned the evidence indicates that there is just as much interdependency. The following diagram indicates that the main sources of public cash benefits for incoming industry and for industry wishing to expand established by the Labour government are still operated and used by the Conservatives. The first general point to be made is that the institutional infrastructure of state support for industry has remained inviolate since the election of 1979. The period of Conservative rule in Scotland has not been marked by a flight by the government from the characteristic methods of intervention. Not only has the government retained the use of dirigiste institutions, but it has indeed shown a converts zeal in using them to maximum effect. At the same time, it has brought in a whole new range of financial supports particularly in the small business field so that the right project can attract grants of up to 30% of fixed capital costs, rent free premises for two years, and a total package which may mean public agencies providing for 40% of the total investment.



Indeed, it is arguable that for anyone with a sound proposition there has never been an easier time to get state financial aid. For example, a promoter of an idea with £10,000 in his hand can expect a financial institution like the Industrial and Commercial Finance Corporation (ICFC) to be willing to find at least another £90,000 to enable him to test his proposition to destruction. In addition, management and support services can be offered. Most attractively rent and rate free accommodation can be provided in the newly created Enterprise Zones (EZ) - another interesting example of Conservative institution building.

Indeed, the evidence of Table 2 indicates that the Conservative government in Scotland did more in some areas than Labour to support the economy. This Table shows that in terms of finance the trends established in the 1970s have been reinforced in the early 1980s.

Government aid has also greatly increased in order to support nationalised industries and the older heavy industries, as well as the rural areas as Table 3 indicates.

TABLE 2

## GOVERNMENT ASSISTANCE TO INDUSTRY IN SCOTLAND (fm)

	1975/6	1976/7	1977/8	1978/9	1979/80	1980/1	1981/2
Scottish Develop- ment Agency Act	2.9	9.5	18.6	27.8	37.8	47.3	58.4
Industry Act 1972, Selective Financial Assistance (Sec. 7):							
Loans	19.6	5.6	3.9	1.7	0.2	-	-
Grants	5.4	6.2	8.1	10.7	14.5	22.6	19.4
Regional Develop- ment Grants	98.4	108.2	105.6	107.3	70.2	113.3	142.7
HIDB:							
Loans	2.6	3.1	3.8	4.8	6.9	5.0	7.0
Grants	2.1	2.5	3.1	4.1	4.6	6.1	6.3

(Source: Based on Table 15.11, Scottish Abstract of Statistics No. 12, 1983, Scottish Office)

TABLE 3

## GENERAL GOVERNMENT FINANCIAL SUPPORT FOR INDUSTRY IN SCOTLAND (fm)

(Identifiable public expenditure, current and capital)

	1977/8	1978/9	1979/80	1980/1	1981/2
Government lending to N.I.s	38.0	14.0	218.0	456.0	302.0
Regional and General Industrial Support:					
Special Assistance for Highlands and Rural Areas	10.4	12.7	17.4	20.0	22.9
Support for Aer- ospace, Shipbuilding and Steel	9.1	21.0	7.9	2.7	36.3

(Source: Table 15.1, Scottish Abstract of Statistics, No. 12, 1983, Scottish Office)

Ironically, however, this increasing support for industry does not seem to have led either to increased sales and exports, or to increased employment. Table 4 shows that despite massive public expenditure on keeping private and public industry in business, the index of industrial production has fallen, and identifiable exports in the vital manufacturing category has fallen.

TABLE 4INDEX OF PRODUCTION AND EXPORTS THROUGH SCOTTISH PORTS

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<b>Index of Production:</b>							
All industries excl. petrol and oil ex- ploitation	100.0	99.6	100.3	100.2	99.4	93.8	88.6
Exports of manu- factured goods (fm)	-	166.1	180.8	196.5	190.2	173.0	-

Conservative crisis management

If we turn now to look at specifics, probably the most important single example of Conservative government intervention in Scotland was its action over the Invergordon Smelter crisis of 1980-81. The roots of that crisis lay in the industrial strategy devised by the Labour government in the 1960s. British Aluminium agreed to build a large aluminium smelter north of Inverness after it had obtained government promises that it would be provided with cheap electricity from a new nuclear power station. Upon this basis and with large government loans under the Industrial Expansion Act the company agreed to the development. However the cheap electricity was not forthcoming as the nuclear power station was well behind schedule. The company

had agreed to provide loans of £34m to help finance the building of the power station which were written off by the government in 1981 when it announced that it would have to close because of unacceptably high electricity costs. At the same time, government moves averted a legal action begun by the North of Scotland Hydro-Electricity Board for the recovery of £37m from the company in electricity charges. Already the company had made large losses. The company made it clear that if the production of electricity had been at the prices promised in the 1960s, the plant would have remained open. The Hydro-Electric Board were not prepared, however, to keep electricity prices at a level such as to enable the firm to continue. The closure of the plant was, therefore, forced by a state agency. The Secretary of State for Scotland said that if the plant had remained operational the public would have had to provide £16m per year in order to enable it to operate competitively. Instead, he announced a special allocation of £10m to be provided over three years to help create new jobs for the 850 men made redundant. Shortly afterwards it was announced that the area would be Scotland's second Enterprise Zone (EZ), which would thus benefit from a large range of special measures designed to foster favourable conditions for capital development.

#### Managing crisis: a comparison

The crucial question in comparing the different political parties' handling of the crises of Chrysler and Invergordon is to judge whether the Conservative handling differed significantly from Labour's?

In practice, neither government succeeded in getting what they wanted. Both wished to prevent closure and the loss of jobs and both failed. Superficially the Conservatives may have appeared less willing to provide aid for Invergordon. There were two reasons for this. First, Invergordon was the first real test of the resolve of the government to undertake a

thorough-going process of disengagement. Ideologically, Conservative philosophy still enshrined the central myth of minimalism. Secondly, it was aware that the benefits of preventing the economic collapse of Invergordon could be achieved only at the cost of triggering off job losses in the other smelters in England. Despite ideological hesitancy, however, and faced with the force of practical circumstance, the Conservative government was drawn into an interventionist posture.

The current Scottish Office attitude towards the private sector might be described as reconstructed interventionism, and differs little in terms of outcome from that of previous Administrations. Interventionism remains, only its rationale differs. The former government's rationale was the provision of an integrated planned economy, the present government's rationale is the promotion of free enterprise through direct intervention.

The existence of a number of large and powerful state agencies legally well armed and funded has exerted an inertial influence well into the period of Conservative rule. The territorial dimension has enabled them to claim a legitimate role in a sub-economy whose central characteristic is one of unarguable malaise and decline. The demonstration effect of both is that even the most radical government finds it expedient to use powerful bureaucratic machinery already in existence rather than by-passing it. The danger of such a policy for a reformist government is that real reform and change are translated into conventional bureaucratic politics.

#### The beginning of intervention, Conservative style

In England, under pressure from ideologists and trades unions, the Labour government in the mid 1970s set up the National Enterprise Board as a trojan horse through which important sectors of the economy could begin to be more effectively managed and planned. In Scotland the

equivalent was the Scottish Development Agency whose power and purpose involved it actually or potentially in the whole range of the Scottish economy and environment including the stimulation of economic development, the generation and maintenance of employment, the promotion of industrial efficiency and the improvement of the physical environment.

Hostility was expressed by the Conservative government in 1979 to the concept of a public development agency, and the NEB's powers were trimmed. It was forced to sell off some of its major profitable holdings; as a consequence the Board of the NEB duly resigned. In Scotland, however, no such attack was made on the SDA. Indeed, its role in investing in private companies significantly increased. In 1981-2 it made a record investment of £5.78m in 190 Scottish-based companies. This stimulated a further £40m investment from the private sector. Nor could it be argued that the SDA was working purely as a public merchant bank, for it invested selectively in projects which carried a high risk which private institutions might well not favourably consider. In short, the SDA was allowed to carry on as though there had been no change of government in its role as a major organ of political and economic interdependence. Indeed, in 1981 it could claim that "the Agency has developed its emphasis on partnership towards even closer relationships internally and externally". There can be no question that this role was approved by the Secretary of State for Scotland for the Agency's policies are conditioned by government guidelines. The leading role of the SDA in the development of the Scottish economy was outlined in the 1982 Annual Report which said, "regeneration and the re-establishment of Scotland ... depends ultimately on the successful development of Scotland's human resources. The recognition of this dependence is the central feature of the Agency's strategy. The Agency's overall objective is to create opportunities in Scotland and stimulate the human resources

that are already available to develop their potential here".<sup>(8)</sup> Far from reversing the interventionist trend, therefore, the last four years of Conservative government in Scotland has increased the degree of intervention and interdependence to such an extent that over £238,000,000 had been spent by 1982 by the SDA in supporting the regeneration of the economy. The importance of this agency and its activities suggest that despite the symbolic unity of the UK and its supposed adherence to a non-interventionist stance, the reality in Scotland is quite different. The Conservative Secretary of State is using the SDA in much the same way as did his Labour predecessor to stimulate economic regeneration.

#### New Conservative initiatives?

Perhaps the most widely acclaimed innovation in economic policy and one which appeared thoroughly Conservative in conception and appeal is the notion of the Enterprise Zone (EZ). These are quite new and different to anything that had gone before and combine two important symbols for Conservatives. First, the principle of liberating free enterprise from red tape, bureaucracy and the dead hand of government. Secondly, the provision of areas where entrepreneurs can be positively encouraged to make profits and accumulate capital.

The Chancellor publicly announced the government's proposals for EZs in March 1980. The concept was his own idea which he had outlined in 1978 as a way of bringing speedy relief to the worst affected urban areas of Britain, like Clydeside, Merseyside and East London. The assumption was that the removal of bureaucratic controls in particular geographical areas would liberate a free enterprise spirit leading to the regeneration of the local economy. He insisted, "we must restore the legitimacy of becoming rich by taking risks ... the other almost equally urgent need is to set

about the sensible deregulation of our economy",<sup>(9)</sup> and further suggested that, "the burgeoning of State activity now positively frustrates many healthy private initiatives. Over-regulation is a major part of Britain's present disease". He even echoed the suggestion of Peter Hall that there was a need to create a "Hong Kong in Glasgow".

The establishment, experience and practice of EZs indicates something quite different.<sup>(10)</sup> The paradigm case for the EZ is Clydebank where Howe claimed the need was for fairly wholesale abandonment of national and local government interventions which in his view had contributed to the urban problems of the area and led to frustration for private entrepreneurs.

Yet instead of creating an EZ based upon these principles, Clydebank was an area where the SDA had already invested manpower and money and set up a Task Force whose job was to begin the public sponsorship of regeneration. The new EZ status did not lead to any retreat from its intervention. The SDA task force continued to co-ordinate the project and the local authorities at both district and regional level made significant contributions. The EZ was, therefore, actually an example of public intervention and strategic public planning. The Conservative government merely relied on symbolic and ritual statements of the need for deregulation and private enterprise while engaging in a process of interventionism for which the EZ provided an organisational vehicle.<sup>(11)</sup>

#### Local Enterprise Trusts

At the local level there have been other developments which illustrate the continuing close interdependency between the state and private enterprise.<sup>(12)</sup> ASSET<sup>(13)</sup> is an organisation which was set up by the Conservative Minister for Industry in response to the critical employment problems of western Ayrshire where over 30% of the population had no job.

It was an initiative which stemmed from pressure by the local Labour dominated council, but the organisation is a unique combination of the public and private sector seen as another experiment in institution building, by the Conservative government.

This part of Ayrshire had been badly hit by the closure of plants by multinationals including Massey-Ferguson, Monsanto and ICI. ASSET was set up by the five organisations locally most concerned at the economic situation - Cunninghame District Council, Strathclyde Regional Council, the SDA, ICI and Shell. Each organisation paid equal shares of the running costs of the new agency which had three broad objectives:

- (1) to help maintain jobs in existing firms;
- (2) to help relocate firms into the ASSET area;
- (3) to help set up new firms.

In under two years the agency has dealt with over 450 enquiries, about 50 of which have become viable businesses. This has created about 280 jobs or training places, with a potential of over 500 more in the next two years. Over 1,000 jobs have been created or protected directly or indirectly due to ASSET. The organisation carries out six major roles in the area:

- (1) stimulation of the local economy;
- (2) provision of training places for young people;
- (3) support for community enterprise;
- (4) aid towards extra local educational facilities;
- (5) environmental improvement;
- (6) promotion of tourism.

In cost benefit terms, the agency appears to do better than other organisations in the field and has succeeded in making a dent in the unemployment figures. More important, however, has been the role it has played in changing the attitude of people in an area which seemed to have been for so long ignored.

The main lesson of ASSET is that it is another example of how there appears to be a felt need on the part of political and economic actors, even at the local level, for a close interdependent relationship. ICI and Shell would not have gone ahead on their own, but were happy to recognise their corporate responsibility for the area when asked by the government to take part in this unique grouping of public and private organisations. Once again the Conservatives in promoting organisations like ASSET have shown themselves willing to oblige those pressing for a more active interventionist policy.

#### Implications - the paradox of freedom?

Despite the declared intentions of the Conservative government in the UK, to roll back the state and to reduce the interdependency between political and economic actors, Scotland reveals that the trend towards interdependency has been maintained and continued, and this during a period in office of a government whose antipathy towards dirigisms has been frequently stated.

The fundamental conditions favouring this situation have been the perception by political elites in Scotland, of all persuasions, that public agencies have to take a leading role if economic disaster is to be averted. The political effects of economic crisis have already led to a situation in which the Conservative party in Scotland is smaller than it has been for many years.

The threat to the Conservative party has clearly led it to be far more flexible in Scotland than in England. In practice, therefore, the Scottish economy is to a significant degree managed or steered by the public sector. This is a fact of life reluctantly accepted by even those who argue that the public sector role is merely to create conditions in which the private sector can be capable of healthy, independent growth. Thus a widespread body of opinion is agreed on one central and inescapable point: the private sector cannot stand alone, but must depend on a leading role being taken by public agencies in investment - as Table 5 shows. The question requiring an answer is whether this is likely to be a temporary phenomenon or a permanent situation to be recognised and legitimated by all political elites. Permanence would imply that a "knee jerk" rhetoric of disengagement must be abandoned in favour of a more sensitive appreciation of Scotland's economic problems. Such might encourage a policy of organisational rationalisation.

Scotland is currently in the throes of a transformation from industrial to post-industrial society. If private enterprise was the hallmark of early capitalism and if constrained capitalism characterised the early post-war years, perhaps we are now witnessing its transformation into an even more interdependent phase. Planning agreements may have been one of the harbingers of this. Enterprise boards which sponsor co-operation rather than private capitalism may be another.

The development of high technology - the very eponym of post industrialism - in Scotland has been largely aided through state investment for incoming multinationals. It may be that the state itself is carrying out the role of midwife for the post-industrial revolution. The consequences of the present trend towards greater interdependence may therefore herald a whole series of changes and transformations. We may be at something of

TABLE 5

THE IMPORTANCE OF PUBLIC EXPENDITURE IN THE SCOTTISH ECONOMY  
 A COMPARISON OF IDENTIFIABLE PUBLIC EXPENDITURE AND MANUFACTURING GDP (£m)

	<u>1971</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Total Gross Domestic Product									
Manufacturing	1,300	1,913	2,274	2,663	3,173	3,594	3,844	4,084	4,154
Identifiable public expenditure in Scotland excluding Nationalised Industries	1,921	2,139	2,494	3,331	4,346	4,843	5,153	5,784	6,896

1979 - 1981 - increase in manufacturing GDP £ 310 million

1979 - 1981 - increase in public expenditure £1,743 million

(Source: Scottish Economic Bulletin No. 26 and Scottish Abstract of Statistics No. 11, 1982)

a watershed in which the post-industrial future will be dramatically different to the familiar industrial past.

Thus we may have an economic system in Scotland which is becoming, in substantial part, a managed economy. The need for planning and public and private agreement becomes greater. As Galbraith has noted, "technology leads to planning and requires the firm to seek the help and protection of the state".<sup>(14)</sup>

The help and protection provided by the state, however, appears in many respects to be chaotic and competitive. The Chrysler crisis indicates how, despite the best intentions of indicative planning, multinationals can cause chaos in the local economy. When the state tries to provide more rational planning such initiatives may easily fail. At the same time, to many capitalists, it appears that government policy leads to a number of anomalous situations. For example, in industrial location policy New Towns may compete with Enterprise Zones (EZ), and Science Parks, or project agreement areas for mobile industry, while at the same time, all local authorities are desperate to at least retain and hopefully enhance their industrial or manufacturing base. In part, therefore, perhaps Olson is correct in seeing such intervention as leading to an increasingly imbalanced relationship where government becomes over-protective of industry and inefficiency increases. Others would argue equally strongly that it is impossible to identify any such inefficiency. The important question is not about economic efficiency but about how to explain why a government committed to the free play of market forces can manage to practise almost unnoticed such extensive management of the Scottish economy? If Scotland is distinctive and does not follow the UK pattern of non-interventionism, we need to ask why this should be the case and what consequences may follow from that?

One fairly persuasive explanation might be that Scotland is significantly different from the rest of the UK in that the Secretary of State has the ability in Cabinet to argue for different policies. Certainly it appears that Scottish Office Ministers have been engaged in a rapid learning process. It has been said that Alex Fletcher, who was Minister for Industry had to trim his strongly held principles. Initially he believed in reducing state involvement in manufacturing industry and was skeptical about the investment function of the SDA. But he rapidly changed his views on becoming a Minister. He has indeed strived to gain acceptance for the concept of the SDA as a mobile development corporation.<sup>(15)</sup> Even the rather mild figure of Mr Younger, the Secretary of State, has apparently been converted into an interventionist. Over Ravenscraig it has been said that "Younger has come out fighting over this issue. He has argued in Cabinet that the mill should be maintained".

If the leading Conservative politicians in Scotland have become interventionists to what can we attribute their conversion and what are the consequences for the government?

Their conversion may be explained by two factors identified a decade ago by Niskanen.<sup>(16)</sup> First, that politicians wish to do everything possible to maximise their vote and are willing to increase expenditure if they feel that may help get them re-elected. Secondly, that the professional bureaucracy have an interest in maximising their budgets and increasing their numbers, or at the very least ensuring that cuts are not made.

In support of the first point it can be said that the Conservative Party in Scotland certainly was desperately in need of electoral support, and election victories for Labour, for example by John Maxton in Cathcart and John Hume Robertson in Berwick and East Lothian, indicated that the people of Scotland soundly rejected their Conservative masters, an

impression reinforced by the general election of 1983. Perhaps the belief was that the protection of the economy through massive intervention would at the least prevent the total eclipse of the Conservatives.

Probably a more realistic explanation lies in the professional pressure of civil servants who convinced the political masters of the rationality of interventionism in the Scottish context, and of the ability of the politicians to argue for "reluctant interventionism" in Cabinet. Malcolm Rifkind has characterised the official view as follows, "The Scottish Office, whatever government is in power, always follows the splendid tradition of insisting on UK uniformity when we like what our English colleagues are doing and asserting the need for distinctive Scottish solutions when we don't like what they are doing. In plain English we enjoy eating our cake and having it."<sup>(17)</sup> More seriously, there would appear to be little need for civil servants to indulge in conspiratorial tactics. They could perfectly easily make out an excellent, rational, case for intervention based upon the fact that market solutions to Scottish problems have not worked in the past and if seriously tried now would lead to devastating loss of jobs and an increased flight of industry to areas where they could obtain cheaper factor prices. If Ministers wanted the Scottish economy to survive, they would have to subsidise industry. Similar arguments were put to Ministers from both sides of industry and from independent commentators.

The consequence of such a line of thinking, however, was that an apparent paradox surfaced in which the rhetoric of Conservative government in Westminster was contradicted by the practice of Conservative government in Edinburgh. In addition, in so far as the efforts by such bodies as the SDA have been successful in regenerating the Scottish economy or in preventing further decline, the whole facade of the Conservative ideology

of the free market has been undermined. The danger might be that the very success of the policies pursued by the Ministers and government agencies in Scotland will bolster the alternative interventionist strategy showing up the hollowness of the free market strategies pursued in Westminster. It may be for this reason that the reality of interventionism, which the figures reveal, is ignored or even denied in the public political rhetoric coming from the Scottish Office in Edinburgh.

If this is the case, one of the consequences for observers and commentators is that they need to take a more critical, realistic attitude when assessing the actions and claims of political actors. Clearly there is often more to the formulation and implementation of policy than appears at face value.

In addition there is a need for more in-depth research in order to identify the political and economic linkages before the hypothesis put forward in the paper can be taken seriously. What we have tried to do is put forward an argument which can be investigated in more detail. This needs to be done because the claim that there is something special and different occurring in the Scottish state which threatens the ideological underpinnings of the policies being pursued in the rest of the UK is a fairly explosive idea.

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