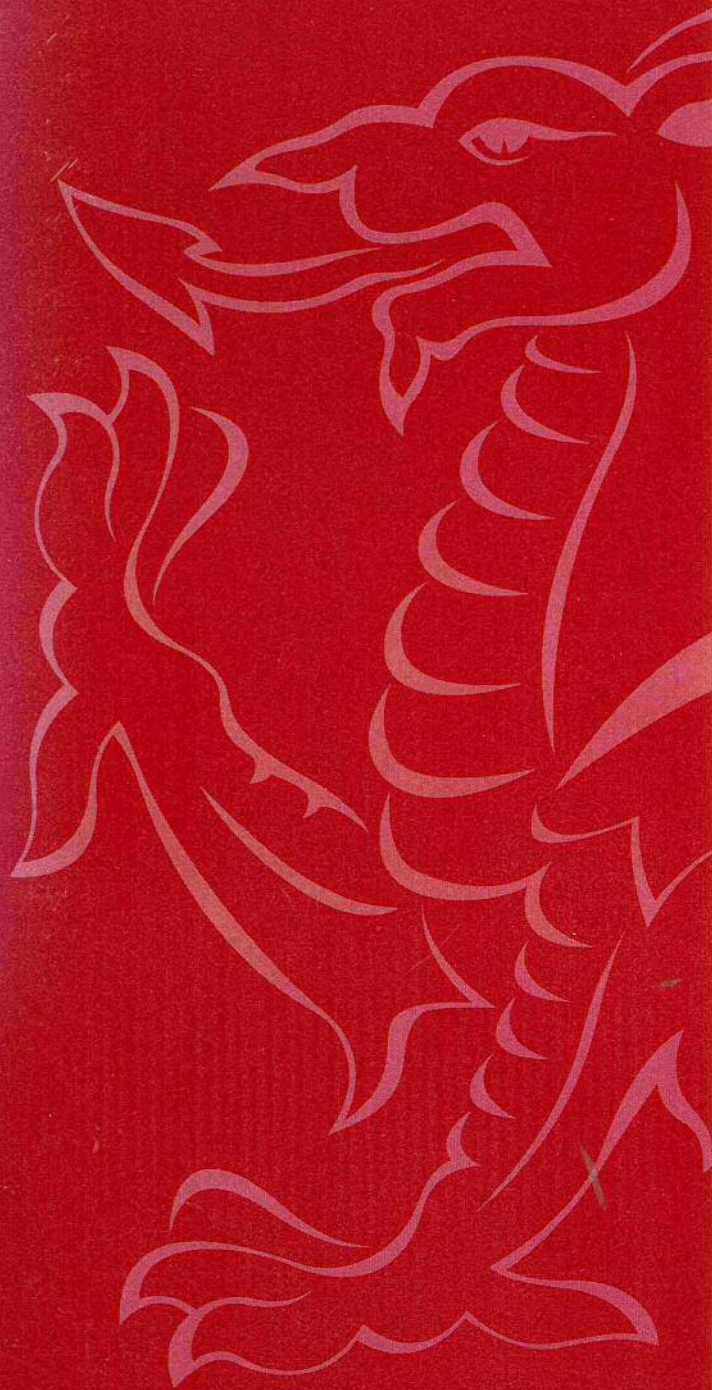


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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The 'core' section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the National Assembly.

Notes for Contributors

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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Political Economy

Economic Research for the Welsh Assembly Government

The Economic Research Unit at the Welsh Assembly Government has been charged with developing a significant and policy-relevant body of new research regarding the Welsh Economy. Jonathan Price, head of the Unit, is the guest author of this section.

During summer 2002, the Welsh Assembly Government put in place new arrangements to encourage policy-relevant economic research. In this note, I want to outline these new arrangements, and say something about why the changes were made and what I hope they will achieve.

To understand the background to the changes, it is necessary to appreciate that the former Welsh Office was, caricaturing to some degree, a department designed to implement and administer policy rather than to develop it. The research relevant to this role was rather limited, focusing on understanding differences in context between Wales and England, and on evaluating the effectiveness of delivery mechanisms.

The Assembly, however, has a much greater role in developing policy, including economic policy, and the associated research needs are therefore also much greater - particularly given the commitments that have been made to basing policy on evidence.

The Welsh Assembly Government both recognised this need for better evidence, and wanted to ensure that economic research carried out on its behalf was authoritative, objective and policy-relevant. It was also considered desirable to stimulate the 'market' for research on the economy of Wales.

The Assembly Government therefore created the *Economic Research Advisory Panel*, (see Box 1) whose function is to advise the Welsh Assembly Government on a programme of economic research, on the dissemination of research results, and on how to build capacity to

undertake research on the economic issues facing Wales.

Supporting the Panel, an *Economic Research Unit* has also been formed within the Welsh Assembly Government, consisting of three economists and support staff.

Major research projects will generally be procured externally, through competitive tendering, to generate a forward-looking rolling programme of research. Most projects will be quality controlled through an external peer review process, and where appropriate will be published.

In addition, where we have the relevant skills, we will ourselves meet some of the research needs of colleagues working on policy development - partly because we believe that the new arrangements will be of most value if the Unit is well integrated into the policy making process within the Assembly.

One of the Panel's functions is to promote collaboration in economic research with the Assembly's partners. There is no intention that the Economic Research Unit will have a monopoly over public sector economic research in Wales. The main economic development agencies, in particular, will retain responsibility for research and evaluation directly relevant to their own activities. But the Panel does have a role in ensuring coherence and comprehensiveness across the overall public sector programme of economic research, and of advising on the priorities to be attached to major cross-cutting research projects.

At the time of writing (April 2003) the

Panel has met three times. The Panel has recommended an initial tranche of research projects, which were approved by the Assembly Government, and are now underway (see Box 2).

The Panel has also recommended a three-year rolling research programme. Further details can be found on our website:

<http://www.wales.gov.uk/subitradeindustry/content/research/home-e.htm>

Neither the Panel nor the Unit thinks it has a monopoly of wisdom. In developing the programme, we have sought views widely. We continue to welcome ideas for future research, and we are establishing a fund for smaller scale economic research, under which we will be able to provide support for innovative proposals that address the broad priorities established by the Panel.

We hope that the publication of a forward programme of economic research, together with the establishment of the fund, will do something to enhance the capacity for economic research in Wales. But we would like to do more. We are considering options for sponsoring research studentships, and would be interested in assisting in the development of a Welsh equivalent of *scotecon.net* (the virtual network hosted by Strathclyde University).

I noted above that we wanted economic research that was authoritative, impartial, and policy-relevant. I think there are a number of challenges here, which I would like to mention briefly.

In their book on Cost-Benefit Analysis,

Box 1 Economic Research Advisory Panel, Appointed Members

Professor Garel Rhys OBE (Chair)

Director of the Centre for Automotive Industry Research, Cardiff Business School.

Professor Harvey Armstrong

Professor of Economic Geography, University of Sheffield.

Mr Simon Gibson OBE

Chief Executive of Wesley Clover Corporation, Newport.

Professor Andrew Henley

School of Management & Business, University of Wales Aberystwyth.

Mr Gerry Holtham

Chief Investment Officer, Morley Fund Management, London.

Mr Chris Johns

Investment Banker, ABN AMRO, London.

Dr Janet Wademan

Managing Director, Van Helsing Ltd, Cwmbran.

In addition, ex officio members, including officials from the Welsh Assembly Government and its partner organisations, provide advice to the Appointed Members.

Box 2 Economic research projects in progressTheme: Increasing activity rates and improving skills

- Returns to education by level and subject in Wales. (Smaller scale project due to report April 2003.)
- Effects of improvements in adult basic skills. (Contract due to start March 2003.)
- Identifying barriers to economic activity. (In progress - due to report summer 2003.)
- Socio-economic characteristics of the Valleys. (Due to start April 2003.)
- The responsiveness of the labour market in the Valleys to job-creation. (Due to start April 2003.)

Theme: Promoting a competitive business sector

- Investigation of productivity performance of Welsh Manufacturing plants. (Smaller scale project due to report April 2003.)
- Comparing the cost of job-creating activities. (In progress – due to report summer 2003.)
- Research and evaluation linked to Entrepreneurship Action Plan. (Contribution to a set of WDA-led projects expected to extend over a number of years.)

Theme: Improving the economic infrastructure

- Economic effects of transport infrastructure improvements – stage 1: roads (In progress – due to report summer 2003.)
- Economic role of airports and port towns. (Exploring options for joint research with partners – likely to go forward in 2003-04.)
- Dynamic Small Towns – Identification of Critical Success Factors. (In progress – due to report summer 2003.)

Theme: Developing the evidence base

- Regional environmental-economic model. (Joint project with Environment Agency and several English Regional Development Agencies - In progress; due to report in stages to 2004.)
- Investigation of alternative indicators of economic growth. (Research summary – completed.)
- Income of agricultural households. (Initial analysis in progress.)
- Improving the use of economic forecasting models.

Boardman *et al* distinguish the perspectives of different actors in the bureaucratic drama¹. “Guardians” are typically found in finance departments. In assessing a policy they tend to confine themselves to revenue-expenditure (accounting) analysis, regarding revenue as a benefit, expenditure as a cost, and being suspicious of any claimed non-monetary benefits. “Spenders” by contrast are usually found (unsurprisingly) in spending departments. They tend to regard spending as a benefit (sometimes because they associate it with job creation), and may add multiplier effects. They are inclined to ignore opportunity costs and displacement². They also tend to disregard costs (and indeed benefits) to those whose interests lie outside their field of responsibility. So projects often seem to have only benefits, with the decision rule reducing to one of selecting the policies or projects that maximise them.

Anyone who has provided economic advice in or for government will probably recognise the pressures to adapt the advice to the perspective of guardians or spenders. Boardman *et al* contrast with these perspectives that of the “analyst”, who impartially weights

accurately represented costs and benefits. Boardman *et al* are of course themselves analysts (academics). But those of us who have to try to draw out the practical implications of academics’ work might feel that they also view the world through their own lenses.

In particular, it may seem that in economics, the academics’ perspective, perhaps as a result of complex professional incentives, sometimes favours complexity over simplicity, and obscurity over clarity. It may also seem to undervalue the merits of assembling a body of generally accepted conclusions that are relevant to policy development, of applying perhaps fairly basic economic theory in specific sets of circumstances, and of gathering new information. (Actually, the latter activities may be particularly valuable in a subject like economics, where there is a considerable measure of dispute, particularly at the margins of knowledge; where there are various traditions; and where there are few opportunities for decisive or repeatable experiments.) As I write this I am conscious that these words will appear in a publication which provides a clear counter-example to the tendencies I describe. But I do think there is some truth in the general picture.

One result is there is a risk that the public debate can get captured by seductive but mistaken ideas, and especially by superficially attractive ‘quick fixes’ or by elements of do-it-yourself economics (often of a protectionist variety). These ideas usually do not reflect the economic mainstream, but are hard to challenge without seeming perpetually negative.

When publishing new research, the British Medical Journal makes a practice of including a small summary box, containing just a few bullet points. These cover (in essence): what was already known about the subject, what the new research adds³, and what the remaining uncertainties are. This is presented in a way that the educated layperson can understand. I hope that we can gradually move towards this kind of approach in our economic research, although I do realise the difficulties.

In the meantime, we are very keen to maintain, or establish, dialogue with anyone engaged on research relevant to Welsh economic issues. We are always grateful for papers and ideas, and happy to travel anywhere to meet anyone who wants to talk to us.

¹ Cost-Benefit Analysis, Boardman, Greenberg, Vining and Weimer, Second Edition, Prentice Hall, 2001. Pages 18-21.

² Typically they embrace, explicitly or implicitly, a simple Keynesian approach, irrespective of the economic conditions or the appropriate time-horizon for the analysis.

³ This paper reports on recent research undertaken for the Countryside Council for Wales. The research team also included Andrew Williams of BRASS, and Peter Midmore and Mike Christie of the University of Wales, Aberystwyth.