

Welsh Economic Review

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The *Welsh Economic Review* is normally 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 Welsh Assembly Government.

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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This year, the *Welsh Economic Review* celebrates its 20th anniversary. For this edition, the *Review* follows a different format to those which have gone previously. As well as containing the usual diary section, which notes recent events, publications and company activities, this *Review* features a series of short articles relating to various aspects of the Welsh economy. The foreword is written by Stephen Hill, Head of staff development and research at the University of Glamorgan, and Editor of the *Review* from 1988-2000.

The first article, by Patrick Minford, examines the current financial crisis, the government's response, possible future actions and implications for the Welsh economy. Jane Bryan then compares key features of the Welsh economy in 1988 and in 2008, and reflects on the issues facing the economy during the past two decades. As part of the historical perspective, this *Review* contains a reprint of a paper from 1991, written by Brian Morgan, when he was Principal Economist at the Welsh Development Agency. This article examined the features of the recession at that time, and looked forward to the likely recovery noting possible effects on Wales.

The next article, by Max Munday and Annette Roberts, provides a data overview of foreign direct investment (FDI) trends in Wales in the recent past. This paper also outlines some of the implications of the financial crisis on FDI flows and considers the future of FDI in Wales. The relative performance of the Welsh economy in terms of GVA per capita is examined in a paper by Joel Strange and Max Munday. This article concludes that the GVA gap between Wales and the UK has widened in recent years and that this situation is unlikely to improve in the near future. The final paper '*Rethinking the Region: Actions for a Sustainable Welsh Economy*' is by Calvin Jones. This article suggests a reconsideration of the current economic development approach in Wales and outlines some steps necessary for the move toward a sustainable Welsh economy.

Finally this *Review* contains an interview with Steve Harris of Science Shops Wales at the University of Glamorgan. Science Shops Wales is an innovative science-society interaction organisation funded by the Higher Education Funding Council of Wales. In the interview Dr Harris explains the operation and aims of Science Shops Wales, and gives his opinions on the current economic situation, and on the future local and global scenarios.

WERU Activities

Information about WERU publications, projects and activities can be found at www.weru.org.uk. Alternatively please contact Annette Roberts (robertsa1@cf.ac.uk) or Jane Bryan (bryanj@cardiff.ac.uk).

The next edition of the *Welsh Economic Review* will return to the usual format and is due to be published in the spring of 2009.

Foreword

Stephen Hill, Editor – *Welsh Economic Review*, 1988-2000.

I was both pleased and surprised to receive the invitation to write the foreword for this 20th anniversary edition of the *Welsh Economic Review*. Pleased, because it was a kind invitation, and surprised because it's been twenty years. The *Review* was established all that time ago, with the help of the Institute of Welsh Affairs, for a number of reasons. First, there was too little awareness of economic issues in Wales, with too big a gap between the newspaper business correspondent and the serious academic journal. Hence we were seeking to enhance economic literacy in Wales. Secondly, we wanted to establish the credentials of the newly-formed Welsh Economy Research Unit (WERU), developing a team of academics who could (or would) write knowledgeably about economic events in Wales. Finally, the *Review* would provide a platform for the informed reader to access economic research undertaken in Wales.

These objectives helped define the format of the *Review*; with an opening interview with a lead player in the Welsh economy followed by in-house analysis of economic data and events and then by contributed papers, bringing academic business research in and about Wales to a wider audience. This format, like the *Review* itself, has stood the test of time. The resilience of the *Welsh Economic Review* reflects both the strength of these foundations and the quality of the writing and production team, who have consistently produced interesting and contemporary copy.

This is an opportunity to reflect on changes in both the Welsh economy and economic priorities in Wales over the past two decades. The first issue carried a Foreword by Peter Walker, the then Secretary of State for Wales. This acknowledged painful structural changes in the Welsh economy, but was briskly optimistic: "*We have come to the end of the painful cycle of pit closures and closures of major steel plants*", and "*It is the influx of new activities, partly by inward investment, partly by the growth of firms started and created in Wales, that is bringing a new dimension to the Welsh economy.*" The benefits of hindsight notwithstanding, the recurring theme in that first issue was that inward investment was building a new, and more prosperous Wales. Indeed two of the three feature articles in that issue were about Japanese investment in Wales. While there is no doubt that inward investment has played a major role in the transformation of the Welsh economy, and was a substantial palliative in the dark days of major structural change, the sad fact remains that, relative to the UK average, Wales

may be worse-off in 2008 than in 1998. This is of course a bold statement – living standards have risen in Wales, and many people in Wales have a level of material wealth today that was accessible to very few twenty years ago. The world has changed, and Wales with it. It is interesting to reflect on those changes, but it is still true that that first issue reported that GDP per capita in Wales was 88.8% of the UK average in 1985 – twenty years later that relative GDP per capita was closer to 78%. Of course there are major disagreements about the appropriateness of GDP per capita as a measure of prosperity, but it is difficult to argue that Welsh prosperity has not declined relative to the UK.

Finally the economic landscape has changed considerably in the past two decades, but many of the issues raised in that first *Review* still resonate today. While mining and steel have continued to decline in employment terms, changes in the world price of coal and concerns about the security of energy supplies may be about to herald a new age of coal in Wales. The Welsh economy continues to be relatively public-sector dependent, despite the rapid rise in business services, whilst manufacturing has fallen as a share of employment – though not as quickly in Wales as in other parts of the UK. The transport infrastructure in Wales has begun to reflect contemporary activity rather than the industrial past, with major investments across South Wales (M4, Second Severn Crossing) and North Wales (A55 dualling), but with rather less between North and South. Improvements to the A470 have made it much easier to live in one place and work in another, while Wales

(International) Airport has perhaps struggled to live up to its title. One of the biggest and most expensive urban development projects in Europe has transformed Cardiff Bay.

The major political change has been the birth of the Welsh Assembly, and, perhaps even more remarkably, the development of coalition Government in Wales. Less positive has been the demise of some transformative Welsh institutions, especially the Welsh Development Agency. It is difficult to see its civil service replacement as an improvement. Alongside these economic and political changes has been significant social change, with the mobile phone becoming ubiquitous, closely followed by an increasingly mobile internet. Higher education has shifted from a privileged few to a common teenage aspiration, although often accompanied by levels of debt that can frighten parents, if not the debtor. Finally, and above all, has been the expectation of continuous economic growth paired with ever higher house prices, both encouraging and facilitating debt-fuelled consumer spending. We are in the first stages of re-adjustment, with output likely to fall as unemployment rises. Those of us who have been observing the Welsh economy for a long time will recognise that things will get better – but they might have to get worse first.

Congratulations on the endurance of the *Welsh Economic Review*, by now a Welsh institution that has been around for twice as long as the Welsh Assembly Government. Here's to the next twenty years!

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The views expressed in feature articles are those of the authors and not necessarily the opinions of WERU.

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