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Post-Devolution Blues? Economic Development in the Anglo-Scottish Borders¹

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Abstract

Uneven regional development on each side of the Anglo-Scottish Border has underpinned a 'post-devolution blues' in North East England. The situation has been compounded by the economic development crisis in the Anglo-Scottish Borders region in the late 1990s. Rather than being a simplistic outcome of devolution, the 'post-devolution blues' are complicated by the particular nature of border(s) regions, the *pre*-devolution history of cross-border differences and the as yet inconclusive evidence of the impact of devolution on the Anglo-Scottish Borders. Future development and an antidote to the 'post-devolution blues' may require both a needs-based reform of the territorial distribution of public expenditure and a political settlement for the English regions at the national (UK) level.

Keywords: Devolution North East England Scotland Anglo-Scottish
Borders Economic Development

INTRODUCTION

“People look over the border and see better roads, better funding. Scotland can also decide to spend it on care for the elderly and free tuition fees. We can’t do that here” (Alan Beith, Liberal Democrat MP for Berwick-upon-Tweed quoted in WOODS, 2002).

The spectre of a divided – even ‘two-tier’ – economy, society and polity is haunting the Anglo-Scottish Borders region. Following the start of the process of devolution of the UK political economy in 1997, disparities have become more evident in levels of public expenditure, due to the increased attention given to the Barnett Formula, and economic and social policy (e.g. Higher Education tuition fees, teacher’s pay and elderly care) between the English and Scottish sides of the border. Both academic analysis and journalist comment argue that such differences are the inevitable outcome of devolution as constituent parts of the UK pursue political agendas developed more closely to meet the specific needs of their particular territory (MCCARTHY and NEULANDS, 1999; EATON 2001). Notwithstanding dissent and criticism amongst some sections of the media and political interests (see, for example, LUCKHURST, 2002), significant parts of the Scottish establishment applaud the workings of the Scottish Parliament. South of the border on the English side, there is a growing sense of unfairness, injustice and discontent – a case of the ‘post-devolution blues’? – concerning the relatively disadvantaged position of the English regions (and Wales to a lesser degree) relative to Scotland with its relatively higher levels of public expenditure (than would be anticipated by its relative levels of prosperity and

population), devolved powers in its new Parliament and stronger political voice on the national stage (MCKAY, 2001).

The 'post-devolution blues' are particularly acute in the North East of England. In a region that largely constitutes the border with Scotland, the differences and inequalities that territorial borders can create are becoming more visible and entrenched with materially different social and economic conditions apparent in geographically proximate areas. The resulting 'post-devolution blues' has stoked popular sentiment and campaigns in the English regional media – 'The Case for the North' (LINFORD 1999) – and raised the political temperature in the UK Parliament (see, for example, Col. 1213, Hansard, 8 July 1998). The ferment has stimulated public opinion and civic debate around the regional agenda in the context of the emergent White Paper on Regional Government in England. Recent evidence reveals that with 72% of those polled in favour, the North East was amongst those regions (including the West Midlands, North West and Yorkshire and Humberside) exhibiting the highest levels of support for elected regional assemblies, particularly as a means of providing a stronger voice in Westminster and Brussels and boosting regional economic prospects (OPINION RESEARCH BUSINESS, 2002). The 'post-devolution blues' appear to be manifest in the North East and to form at least part of the explanation for the region's support for regional government. In terms of political weight, all the English regions considered themselves 'better off' than Scotland and Wales except the North East where 37% considered themselves 'worse off' than Scotland and 'only just equal' to Wales (OPINION RESEARCH BUSINESS, 2002). Post-devolution, investigations by journalists even suggest that the social welfare and wellbeing of English Borders residents is perceived to be under threat:

“Living right on the border, we seem to be a forgotten lot – roads are appalling, the health service is not that good, and everything seems to be much better a mile or so north... ..We feel we won’t get a fair deal from Westminster. Cross the border and you instantly see the difference”
(English Borders resident quoted in HETHERINGTON 2001).

Such discontinuities across the border are particularly evident in relation to economic development activity – one of the Scottish Parliament’s main areas of responsibility and a central concern to the Anglo-Scottish Borders following the intensified rationalisation and contraction of its economic base in the late 1990s. While it suffered deeper employment losses, the Scottish side appeared more capable of adaptation while the English side seemed constrained in financial, institutional and political terms. This differential capacity reinforced the ‘post-devolution blues’ as concern grew that a more powerful Scotland – replete with higher levels of public expenditure, institutional capacity and political voice – was better placed in the race for private and public investment and jobs ahead of the North East of England.

Contrary to the emerging wisdom amongst some politicians, sections of the media and residents that claims such differences are the inevitable outcome of devolution, this paper argues that the ‘post-devolution blues’ are more complex. First, border(s) regions have a particular nature. They are historically complex, with varying degrees of permeability to economic, social and political processes, and they create issues that both divide – through competition and conflict – and/or unite – through co-operation and collaboration – across their borders. Second, the antecedents of difference

between both sides of the Anglo-Scottish Border are longstanding. The trajectories of these discontinuities were evident *pre*-devolution but they have been rendered more visible in public and political debate since devolution. Third, although several potential theses – ‘*status quo*’, ‘hardening’, ‘shadow’ and ‘demonstration effect’ – can be suggested, the impact of devolution upon the Anglo-Scottish Borders region is as yet unclear. Responses to the late 1990s crisis suggest that, despite suffering sharper employment decline, the Scottish Borders appear better placed to adapt than the English Borders to economic development challenges in financial, institutional and political terms. Two future paths can be discerned: a short-term strategy with both sides engaged in cross-border arbitrage in the competition for investment and jobs and an alternative based upon existing co-operation and collaboration across the border to develop a longer-term strategy for mutually beneficial modernisation of the region on both sides of the Anglo-Scottish Border. The alternative path may be contingent upon two national level developments: a needs-based reform of the territorial distribution of public expenditure and a political settlement for the English regions. Perhaps only with such changes might an antidote for the ‘post-devolution blues’ emerge in the English Borders.

The argument in this paper is developed from a regional political economy analysis of the economic development crisis in the Anglo-Scottish Borders region in the late 1990s post-devolution context in the UK. The paper seeks to contribute to recent calls for a more ‘holistic’ approach to the material causes of inequality and the polarised nature of “uneven development between people and places” evident in ‘spatialised’ social relations (PERRONS 2000: 23). Contrary to the ‘new orthodoxy’ of ‘New Regionalism’, central to this approach are the historically fundamental questions

concerning the nature of the region and the meaning to be given to regional development (LOVERING, 2001). The ‘holistic’ view argues that “theories of urban and regional development need to recognise the concrete spatial world as a synthesis of many determinations or the outcome of a multiplicity of social dynamics operating at different levels” (PERRONS 2000: 23; see also ALLEN *et al.* 1998, BEYNON *et al.* 1994). This view rejects the narrow reductionism of studying regions through “the narrow optic of ‘globalisation-competitiveness’” (LOVERING, 2001: 352) and simply analysing what is most tangibly ‘economic’ (e.g. firms and their linkages) (MARKUSEN 1999). Instead, the holistic approach acknowledges that such issues may form only part rather than the whole of explanations – exogenous *and* endogenous sources of growth, division and cohesion operating across a range of inter-related levels are integral to regional political economy. Regional political economy explicitly recognises – and uses analytically – the close historical inter-relations between economic, social, political and cultural change, their social welfare implications and the role of politics and state strategies in writing explanatory narratives of regional change, often in policy relevant ways.

BORDER(S) REGIONS, HISTORICAL ANTECEDENTS AND THE IMPACT OF DEVOLUTION IN THE ANGLO-SCOTTISH BORDERS

The view that the differences and inequalities evident between the English and Scottish Borders have emerged since and because of devolution is perhaps too simplistic. This claim neglects the particular character of border(s) regions, their historical antecedents and the different theses concerning the potential impact of devolution upon the intra-national Anglo-Scottish Border. First, border(s) regions are

particularly distinctive in their often historically complex, contested and sometimes contradictory economic, social and political constitution and development (ANDERSON and O'DOWD 1999). Borders can have different material and symbolic importance and can vary in their permeability to processes of economic, social, political and cultural change. Devolution processes will not have any predetermined outcome in border regions. The precise outcomes of change comprise both necessary and contingent elements and need theoretically informed empirical research that marries localised case study with wider contextualisation (ANDERSON and O'DOWD 1999). Rather than accepting a single, one-dimensional account of the impacts of change – i.e. devolution in Scotland has created a ‘two-tier’ economy in the Anglo-Scottish Borders – there is a need to engage critically with the complexity of the situation and to recognise the possibility of issues that both divide – through competition and conflict – and/or unite – through co-operation and collaboration within border(s) regions.

Second, regions arrive at the present trailing ‘long tails of history’ (ALLEN *et al.* 1998) manifest in the individual and collective, informal and formal institutions that unavoidably shape their development trajectories. The particular character of border(s) regions is especially shaped by their often complex historical development. The Anglo-Scottish Borders has a long history as a ‘debatable’ ‘borderland’ – with a shifting border – and ‘buffer zone’ in an English polity dominated by London and the South East region (CALDER, 1998; TOMANEY 1999). Economy, society and polity have long been shared across the border – celebrated in often romanticised accounts of the Reivers tradition (FRASER 1971) – and have underpinned the evolution of a distinctive regional entity. The politics of the region have been historically

conditioned by being a border(s) region and the rivalry and relations between its adjacent nation states have been central to the region's development (TOMANEY 1999). The differences that currently appear more visible in the post-devolution era have longstanding antecedents whose trajectories were established pre-devolution.

Third, while it may be considered too early for meaningful analysis since many of the more resonant changes have yet to work through (see MCCARTHY and NEULANDS, 1999), several theses can be suggested that might illuminate the potential impact of devolution upon the Anglo-Borders. A '*status quo*' thesis may claim that devolution will have a limited impact since the UK is a union state with highly permeable internal borders. The '*hardening*' thesis suggests that devolution will increase the political salience of the border (TOMANEY 1999) as the internal, intra-national and regional border becomes more like an external, *inter*-national border. Such increased significance for the border might be expected to fragment the Anglo-Scottish Borders region, creating and reinforcing discontinuities and divergence in economic, social and political development. A third '*shadow*' thesis hinges upon the creation of displacement and/or diversionary effects – not unlike the 'shadow' cast by Checkland's (1975) 'Upas Tree' – either way across the border: development diverted *to* Scotland and *away* from England as a result of the increased attractiveness of Scotland due to devolution or vice versa in the opposite direction. Last, a '*demonstration effect*' thesis suggests that the regions adjacent to devolved territories draw upon their experiences and developments in articulating their own needs. While such theses may be dismissed as speculative, they might begin to help thinking through the potential impact of devolution in the Anglo-Scottish Borders region.

CRISIS AND MODERNISATION IN THE ANGLO-SCOTTISH BORDERS IN THE LATE 1990s

The late 1990s episode of crisis and modernisation provides an example of the dynamics operating across a range of scales that are shaping the development trajectory of the Anglo-Scottish Borders in the post-devolution era. The region is peripheral and has received limited attention relative to elsewhere in the UK (e.g. Wales (COOKE and MORGAN 1998), North East England (HUDSON 1998) and lowland Scotland (MACLEOD 1999). The Anglo-Scottish Borders region is not homogenous and its pattern of settlement is sparse. It is marked both by the border between England and Scotland as well as emergent internal developments (Figure 1). The Scottish Borders contains distinctions between the main market towns and their hinterlands, with Galashiels emerging as a dominant centre. A North Borders is emerging distinct from the Middle Borders as it seeks a role as a commuter belt for the growth over-spill from Edinburgh. The historic Marches are echoed again in the East and West divisions that look to Edinburgh and Carlisle (England) respectively as their focal centres. The English Borders is marked by an overwhelming sense of peripherality, particularly given the East's: "...peripheral position in the most marginal English region" (Deputy Chief Executive, Berwick Borough Council, Author's Interview, 2000). Northumberland County in the East is dominated by its more populated and industrial South East and adjacent Tyneside conurbation as well as the Tyne Valley commuter segment. To the West lies Carlisle the sub-regional capital and transport node for Cumbria.

Figure 1: The Anglo-Scottish Borders

Source: Adapted from SCOTTISH BORDERS COUNCIL (2000)

The socio-economy of the Anglo-Scottish Borders region²

The Anglo-Scottish Borders is composed of relatively small and often sparsely populated units. Dumfries and Galloway and Scottish Borders accounted for 147,000 and 106,000 people respectively in 1999 while the English districts comprised Carlisle (102,000), Tynedale (59,000) and the much smaller units of Alnwick (32,000) and Berwick-upon-Tweed (26,000) (ONS 2001). Compared to the national (UK) population growth rate (5.6%) between 1981-99, only Tynedale (8.9%) and Alnwick (10.8%) were growing faster – buoyed by commuters to Tyneside and Durham (NORTHUMBERLAND COUNTY COUNCIL 2000). Scottish Borders (5.1%) approaches the national level but Berwick (1.2%), Carlisle (1.3%) and Dumfries and Galloway (0.9%) have experienced relatively slow rates of population increase (ONS 2001). The Anglo-Scottish Borders age structure is skewed toward individuals of pension age and over. Relative to the national (UK) proportion (18.1%), all the Anglo-Scottish Borders territories revealed levels above 20% - with Berwick registering over 25% in 1999 (ONS 2001). The record on educational attainment reveals markedly stronger performance in the Scottish relative to the English Borders. Both Dumfries and Galloway (95%) and Scottish Borders (89%) echo the distinctive Scottish educational system and have had substantially higher levels of participation in post-compulsory schooling than both Northumberland (72%), Cumbria (76%) and

the UK (78%) (ONS 2001). Similarly, higher proportions of students in the last year of compulsory schooling hold 5 or more A-Cs at GCSE level – nearly two thirds in the Scottish Borders compared to around half in the English Borders and UK.

Total employment levels revealed the relatively larger sizes of the Cumbria (219,000) and Northumberland (131,000) labour markets in 1999-00 compared to both Dumfries and Galloway (63,000) and Scottish Borders (50,000) (ONS 2001). However, much of Cumbria's employment is concentrated in the traditional, industrial employment centres in the West and South in Copeland and Barrow-in-Furness. Similarly, Northumberland's employment base is concentrated in the South East and South West of the County in Wansbeck, Blyth Valley, Castle Morpeth and Tynedale. Employment and economic activity rates in the Anglo-Scottish Borders largely mirrored the national (UK) levels at 73.5% and 78.5% respectively in 1999, although the Scottish Borders were significantly higher (84.1%) and Berwick marginally lower (69.7%) (ONS 2001). Despite these rates of employment and economic activity, the Anglo-Scottish Borders labour market has been marked by relatively low pay. Average gross weekly full-time earnings (April 2000) in Dumfries and Galloway (£330.4), Scottish Borders (£326.3) and Northumberland (£343.7) were substantially below national (UK) levels (£409.2) (ONS 2001). Cumbria was relatively higher (£371.1), skewed by the relatively high earnings at major employers BNFL and BAE Systems in West Cumbria (PECK, 1997).

Employment on both the English and Scottish sides of the Border is relatively dependent upon a narrow base of sectors. Considering the core Districts in the English (Alnwick, Berwick and Tynedale) and Scottish Borders agriculture remains important

but employment is low and declining (BORDERS WORKING PARTY, 1999). Mining and quarrying jobs in Northumberland are dwindling too (NORTHUMBERLAND COUNTY COUNCIL, 2000). Manufacturing, especially the traditional and declining sectors such as textiles, remains a significant employer, particularly in the Scottish Borders where it accounted for over a quarter of the jobs in 1998 (Table 1). Private service employment is important, particularly in the hotel and restaurant trade in the English Borders, although financial services are limited. Reliance upon the public sector is high in both the English and Scottish Borders, accounting for more than one third of total employment – over 11,000 jobs in each area.

Table 1: Total Employment by Sector in the English and Scottish Borders, 1998*

Sector	English Borders		Scottish Borders	
	No.	%	No.	%
Agriculture, hunting and forestry	-	-	-	-
Fishing	-	-	100	0.3
Mining and quarrying	-	-	-	-
Manufacturing	4,900	14.4	9,300	26.5
Electricity, gas and water supply	-	-	-	-
Construction	1,700	5.0	2,100	6.0
Wholesale/retail trade; repair, etc	6,400	18.8	5,700	16.2
Hotels and restaurants	3,800	11.1	1,800	5.1
Transport, storage and communication	1,500	4.4	1,100	3.1
Financial intermediation	-	-	500	1.4
Real estate, renting, business activities	2,300	6.7	2,600	7.4
Public admin/defence; social security	2,300	6.7	2,100	6.0
Education	3,200	9.4	2,700	7.7
Health and social work	5,700	16.7	6,000	17.1
Other community, social/personal service	2,000	5.9	1,100	3.1
Private households with employees	-	-	-	-
Extra-territorial organisations/bodies	-	-	-	-
Total	34,100	100.0	35,100	100.0

The 'English Borders' comprises the local authority districts of Alnwick, Berwick-upon-Tweed and Tynedale. The 'Scottish Borders' comprises the Scottish Borders local authority district. '-' Suppressed figures.

Source: NOMIS (2002)

Unemployment figures reveal the marked differences both between and within the Anglo-Scottish Borders region. The picture is not simply the Scottish Borders performing well and the English Borders performing less well. In the recent figures, that mirror deep rooted trends across the economic cycle, relative to the national (UK) level, Tynedale, Carlisle and the Scottish Borders compare favourably (Table 2) (NORTHUMBERLAND COUNTY COUNCIL 2001; SCOTTISH ENTERPRISE BORDERS/HALL AITKEN 2001). For Tynedale, this is due to its role as a commuter area for Tyneside and Durham. Carlisle's performance has been attributed to its

relatively diversified economy. For the Scottish Borders, the relatively high propensity for out-migration, particularly during economic downturns, has provided a regulator to suppress recorded unemployment levels. The rest of the English Borders and Dumfries and Galloway reveal unemployment levels relatively higher than the national rate, particularly in Northumberland and its Border districts, due to their relatively narrow, weak and contracting economic bases.

Table 2: Unemployment rates by local authority area*, 2002

Area	Unemployment	
	Number	Rate (%)**
Northumberland	6,121	5.5
Alnwick	564	5.1
Dumfries and Galloway	3,214	5.1
Berwick-upon-Tweed	567	4.8
Cumbria	8,335	4.1
Carlisle	1,766	3.6
Scottish Borders	1,641	3.6
UK	1,021,500	3.4
Tynedale	718	3.3

January 2002, claimant count (not seasonally adjusted); ** % of employee jobs and claimants.

Source: ONS (2002)

In terms of wealth and prosperity, both the English and Scottish sides of the Border compare poorly relative to national (UK) levels of income earned by businesses and individuals. Relative to the national (UK) level of GDP per head (£12,548) in 1998, Scottish Borders (£9,974) and Northumberland (£8,818) are markedly lower. Cumbria (£11,418) and Dumfries and Galloway (£11,063) are lower but at a less pronounced level (ONS 2001). In addition, the positions of each territory relative to national (UK)

level growth in GDP per head from £10,619 to £12,548 (current prices) between 1995-98 have been declining over the same period, particularly in the English Borders of Northumberland where GDP per head stands at 70% of the national (UK) level (Table 3).

Table 3: Anglo-Scottish Borders, GDP per Head, 1995-98 (UK=100)

Year	Area			
	Cumbria	Northumberland	Dumfries and Galloway	Scottish Borders
1995	101	77	92	84
1996	96	73	87	81
1997	93	69	86	78
1998	91	70	88	79

Source: ONS (2001)

Crisis and modernisation in the Anglo-Scottish Borders in the 1990s

The crisis that enveloped the region in the late 1990s hinged upon the coincidence of several vectors of decline. First, the ongoing malaise in the agricultural sector – falling incomes, food safety scares, uncertain CAP reform, limited diversification (BORDERS WORKING PARTY 1999) – had become generalised into a full scale crisis in the rural economy compounded by marginalisation and service withdrawal (e.g. Post Offices, Banks) (CABINET OFFICE 1999). Second, the long run decline in the textiles sector accelerated, further reducing its remaining importance as a substantial employer. In priming its Pringle brand for sale, Dawson International closed factories on both sides of the Border in Berwick (300 job losses), Galashiels (200), Hawick (140) and Selkirk (45) (PIKE *et al.* 1998). Significantly, the

differential responses and support evident on each side of the border raised concerns at the national level:

“Our members feel abandoned and betrayed. We did not campaign for devolution simply to provide English ministers with an excuse to abandon social protection at the border. What message does it send when the government fights to save the job of one worker but throws a colleague employed 35 miles away to the wolves?” (John Edmonds, General Secretary GMB, quoted in WHITE 2000).

While the Scottish Borders textiles producers had – in contrast to the North East – moved into design and higher quality (and profit margin) products (e.g. cashmere), they were affected by a seemingly distant but locally destabilising consequence of ‘globalisation’. The local cashmere sector – employing over 1,000 and concentrated in the ‘knitwear capital’ Hawick – was put at risk by the so-called ‘Banana Wars’ triggered by the dispute between the US and the EU through the World Trade Organisation (WTO) regarding preferential treatment for Caribbean banana imports (SCOTTISH BORDERS ENTERPRISE 1999). Cashmere was included on the US’s list of EU export products to face punitive 100% tariffs thus undermining its price competitiveness in the critical US market. Deft political lobbying from Scottish Borders interests and the Scottish Executive at the national and EU levels removed cashmere from the list but only after a prolonged period of damaging uncertainty. Third, the recently developed electronics sector underwent rationalisation as Viasystems withdrew leaving a rump of SMEs, some with growth potential. Together, these mechanisms generated substantial job losses.

Employment change during the 1990s in the core Anglo-Scottish Borders districts reveals distinct differences. The English Borders experienced some limited growth of 1,200 jobs (3.6%) while the Scottish Borders witnessed a decline of 2,600 jobs (6.9%) (Table 4). Within this overall picture, manufacturing experienced a sharp decline over the 1990s particularly in the English Borders, losing a quarter of its manufacturing jobs, while the Scottish Borders lost over 10%. In particular, hotels and restaurants and financial services contributed to the employment contraction in the Scottish Borders. Transport, storage and communication and education accounted for job losses in the English Borders. In terms of employment growth, private and public services were dominant with the English Borders often performing better, particularly in retail, health and social work, and other community, social/personal services. The Scottish Borders benefited from jobs growth in retail, transport, storage and communication, real estate, renting and business activities, public administration, defence, health and social work.

Table 4: Total Employment Change by Sector in the English and Scottish Borders, 1991-98*

Sector	English Borders		Scottish Borders	
	No.	%	No.	%
Agriculture, hunting and forestry	-	-	-	-
Fishing	-	-	-	-
Mining and quarrying	-	-	-	-
Manufacturing	-1,800	-26.9	-1,200	-11.4
Electricity, gas and water supply	-	-	-	-
Construction	-	-	-300	-12.5
Wholesale/retail trade; repair, etc	1,000	18.5	200	3.6
Hotels and restaurants	600	18.8	-900	-33.3
Transport, storage and communication	-200	-11.8	200	22.2
Financial intermediation	-	-	-200	-28.6
Real estate, renting, business activities	500	27.8	700	36.8
Public admin/defence; social security	100	4.5	100	5.0
Education	-700	-17.9	300	12.5
Health and social work	1,100	23.9	900	17.6
Other community, social/personal service	600	42.9	-100	-8.3
Private households with employees	-	-	-	-
Extra-territorial organisations/bodies	-	-	-	-
Total	1,200	3.6	-2,600	-6.9

The 'English Borders' comprises the local authority districts of Alnwick, Berwick-upon-Tweed and Tynedale. The 'Scottish Borders' comprises the Scottish Borders local authority district. '-' Suppressed figures.

Source: NOMIS (2002)

In labour markets of comparable size, the overall job loss across the region and the particular contraction of manufacturing in both the English and Scottish Borders – especially the closure of several hitherto dominant employers – created a palpable sense of crisis in the Anglo-Scottish Borders. Negative multipliers were unleashed in the demand for local goods and services. The decline of manufacturing and relative buoyancy, even growth, of some services in the Anglo-Scottish Borders echoed the national level debate concerning the regional implications of national interest rate policy and the problems of a 'two-tier economy'. Divided in their experience of the

UK economy's particular growth trajectory during the 1990s, the manufacturing regions and nations were adversely affected by a relatively high exchange rate (relative to the Euro and devalued South East Asian currencies) while the service-led South (East) and London experienced an inflationary consumption boom (ROBINSON, 2000).

The regional political economy approach taken to explanation analyses the dynamics of change to unearth the causal processes at work – through time and across a range of scales – and the agency of capital, labour and the (quasi-)State. Rather than a simplistic, divided economy, society and polity emerging on either side of the Anglo-Scottish Border in the post-devolution era, the economic development crisis suggests a series of issues that both divide and unite across the region.

DIVISIVE ISSUES: COMPETITION AND CONFLICT?

Inter-territorial competition

In the context of debates about 'globalisation-competitiveness' amongst regional decision-makers (LOVERING, 2001), regions have been interpreted as being involved in an increasingly internationalised competition for investment and jobs. The concern is that – unregulated – a cross-border 'arbitrage economy' (ANDERSON 1999) may develop in the Anglo-Scottish Borders as economic activities seek to play different territories on either side of the border against each other in a bidding competition to secure the most economically advantageous deals. Discontinuities in the subsidy and tax regimes (e.g. business rates) between the English and Scottish

sides of the border underpins this process, although both the English and Scottish Borders have also had to compete with Assisted Areas elsewhere in the UK and, potentially, further afield in the EU and Europe. Evidence is anecdotal and ambiguous involving shifts from Scotland to England (e.g. Edinburgh Woollen Mills to Longtown) and rationalisation on both the English (e.g. Dawson International/Pringle) and the Scottish side (e.g. Nestlé Dumfries closure). The extent to which these specific examples were the result of differences in subsidy and tax regimes on either side of the Border requires further study.

The most high profile and potentially significant example involved US-owned electronics trans-national Viasystems that acquired regionally-based company ISL and triggered a wave of rationalisation. Following a threat to relocate its activities to a new site in Spain, Viasystems were offered a substantial incentive package totalling £23.5m to remain in the North East. Without UK or EU regional policy support (at the time), the Scottish Borders were unable to compete. As a result, Viasystems – by far the largest private sector employer in the Scottish Borders – closed its two factories at Selkirk and Galashiels with the loss of 1,400 direct jobs and consolidated its UK activities at the newer of its two facilities in Tyneside in the North East of England. This apparent cross-border ‘grant arbitrage’ prompted outrage in the Scottish Borders and motions to the Scottish Parliament as the North East region was accused of ‘poaching’ jobs and unfair subsidy competition:

“This is absolutely horrific for the Borders. It is ripping the heart out of the local economy. People feel that their jobs are simply being transferred in such a way that the export of jobs is being subsidised by the taxpayer” (Lib-Dem

MP for Tweeddale, Etterick and Lauderdale quoted in BROWN and PARKER 1998).

Viasystems claimed that ISL had secured the grant assistance prior to their take-over and the Selkirk factory was not cost effective. Coupled with other high profile cases elsewhere in the UK (PHELPS *et al.* 1998), such concerns prompted a Parliamentary enquiry (HOUSE OF COMMONS 1997) that recommended a concordat to prevent such wasteful competition and the misallocation of public funds. While there are relatively few examples to date, future changes in fiscal and subsidy regimes may create more obviously different cost environments either side of the Border and become more apparent forces in shaping the geography of economic activity within the region.

Public funding

Differential funding regimes relevant to economic development exist on the Scottish and English sides of the Border due to differences in public expenditure and regional policy support. The territorial distribution of public expenditure in the UK and, in the particular case of Scotland, the 'Barnett Formula' have received growing attention in parliamentary (HOUSE OF COMMONS 1997), political lobbying (CAMPAIGN FOR THE ENGLISH REGIONS 2001) and academic circles, particularly in the context of debates concerning fiscal federalism and the balance between regional taxation and public expenditure (MCKAY, 2001). For the purposes of this paper, it is important to note that since the 1970s the operation of the Barnett Formula has failed to narrow the significant differentials in levels of public expenditure between the regions and nations in the UK. Recent estimates suggest a differential of £434 per

capita remained between the North East and Scotland in 1999-00 (Table 5). Such differences are especially evident in both material and symbolic ways in the geographically proximate Anglo-Scottish Borders region. Debate has produced often polarised opinion amongst journalists and politicians. Scottish interests point to their deep social needs – notwithstanding growth in Edinburgh and Grampian – and the high unit costs of public service delivery in their sparsely populated territory (KEMP 2001). English regional interests claim the differential is unfair, built upon political compromise and requires a strengthening of their political voice to campaign for reform (HETHERINGTON 2001). Discussion has focused upon a new funding model based upon the thorny issue of a national-level needs-based assessment to ensure social and territorial equity between and within the nations and regions of a devolved UK (MCCRONE 1999) – with reform tapered out over a long transitional period to create a ‘catching-up’ rather than levelling down process.

Table 5: Public Expenditure by Government Office Region/Country, 1999-2000

Government Office Region/Country	£ per Resident	Index (UK = 100)
Northern Ireland	5,939	133
Scotland	5,271	118
London	5,035	113
Wales	5,052	113
North East	4,837	109
North West	4,628	104
United Kingdom	4,453	100
England	4,283	96
Yorkshire and the Humber	4,224	95
West Midlands	4,203	94
South West	4,075	92
East Midlands	4,023	90
Eastern	3,917	88
South East	3,734	84

Source: HM Treasury, Public Expenditure Statistical Analysis (2000/2001)

Such core public funding differences between England and Scotland are significant for economic development. Historically, business support expenditure in Scotland was relatively higher than in England due to the Secretary of State for Scotland's authority over the virement of funds (e.g. to support inward investment projects) but this financial flexibility has been rendered more transparent by the Scottish Parliament's scrutiny of the Executive. In their response to the regional crisis in the late 1990s, this continued financial muscle and flexibility was underlined as the Scottish Executive provided additional funding of £2.6m (1998/99) and £3.3m (1999-00) for Scottish Borders Council (SBC) and Scottish Borders Enterprise (SBE) respectively – as well as less substantial increases in the budgets of Borders College and the Scottish Borders Tourist Board (BORDERS WORKING PARTY 1999). No such equivalent financial boost was traceable for local authorities and economic development institutions on the English side of the Border.

The public funding regimes in the Anglo-Scottish Borders region are further differentiated by the varying economic and social conditions and map of regional policy support. In tandem with regaining Assisted Area status (lost in 1984), a new 'Euro-region' was constructed by combining the Scottish Borders with Dumfries and Galloway into a 'South of Scotland' bloc for Objective 2 support (2000-06). This recognised their common problems and provided an important political counterweight to the dominance of the Central Belt (Edinburgh and Glasgow) and the Highlands and Islands lobbies. In addition, the late 1990s crisis brought a promise to re-allocate unused European funding from elsewhere in Scotland (PIKE 1999). Although the rural Northern Uplands continued their access to EU support (but under a different programme from the Scottish side), the English Borders attracted only limited Enterprise Grant coverage as the bulk of assistance was targeted further South and East in the North East region (ARMSTRONG 2001). In particular, Berwick failed in its bid to retain Assisted Area status for regional policy support, having already lost its Rural Development Commission (RDC) status in the pre-Regional Development Agency (RDA) environment, and its regeneration task force was supported by Single Regeneration Budget (SRB) and Community Initiatives (LEADER II, PESCE, RETEX, SME) (PIKE, In Press). While the Anglo-Scottish Borders shared the crisis conditions of the late 1990s, the access to public resources for economic development was different either side of the border and cross-border joint funding was hampered to due the operation of distinct systems (e.g. public transport, training and education).

Institutions

Notwithstanding the significant debates concerning the precise relations between institutions and regional development and welfare (LOVERING 2001), the institutional structures for economic development reveal relatively greater coherence in Scotland and fragmentation in England, with a mixture of some longstanding (e.g. Eastern Borders Development Association) and several newer cross-border initiatives (Table 6). Framed in the historical context of post-union autonomy and distinctive institutional structures in religion, education, law and professional life (MCCRONE 1992), relative to England economic development bodies in Scotland tend to be long established, more accountable, share a history of collaborative partnership working and have clearly defined territorial and/or functional remits (FAIRLEY 1999; DANSON *et al.* 2000). SBC has co-terminus boundaries with SBE and they have a close history and established partnership. Given the relatively small territory in the Scottish Borders, it is relatively easy and quick to spread ideas and build a consensus. Underpinned by their relatively higher level of resources, flexible deployment of funds (e.g. to purchase the former Viasystems Selkirk site) and the support of the Scottish Enterprise network and Scottish Executive, the economic development institutions in Scotland are perceived to be “down the track earlier and faster” (Director, Government Office North East, Author’s Interview, 2000). Further development is expected in response to the Parliament’s Enterprise and Lifelong Learning Committee (2000) conclusions that there was confusion, overlap, duplication and competition between economic development agencies in Scotland.

The economic development institutions in England are more fragmented and parochial, lack clear boundaries (e.g. two-tier local government) and have undergone

a period of prolonged instability following the introduction of a succession of new institutions often lacking accountability – Government Offices (GOs), Regional Development Agencies (RDAs) and Sub-Regional Partnerships, Regional Chambers, Learning and Skills Councils (LSCs), Local Strategic Partnerships (LSPs) and the Small Business Service (SBS) (ROBINSON AND SHAW, 2000). In addition, there is a sense that the English Borders are seen as relatively peripheral and marginal, particularly to the newer institutions with region-wide concerns. In response to the late 1990s crisis, new institution building efforts were more coherent, extensive and meaningful on the Scottish side of the Border, comprising the Locate in Scotland (Rural Unit) and the Borders Working Party that became the Scottish Borders Economic Development Forum (BORDERS WORKING PARTY 1999). Despite calls for more integrated and ‘parallel’ cross-border measures, the English Borders experimented with smaller scale and much less influential bodies (i.e. Pringle/Berwick Regeneration Task Force, North East-wide Textiles Task Force (PIKE, In Press).

Table 6: Main organisations involved in Economic Development in the Anglo-Scottish Borders

Level	England	Cross-Border	Scotland
Central and Devolved Government	Government Offices (North East/North West) Employment Service/Benefits Agency English Heritage Countryside Agency		Scottish Parliament Scottish Executive Employment Service/Benefits Agency
Local Government	Association of North East Councils/North East Regional Assembly Northumberland and Cumbria County and Borough Councils	Cross-Border Partnership*	Scottish Borders Council Dumfries and Galloway Council
Development Agencies, Groups and Trusts**	North East and North West RDA Northumberland Strategic Partnership Northumberland and Cumbria TEC**** Northumbria Tourist Board Business Link***** Berwick Regeneration Task Force	Borders Working Party*** Scottish Borders Economic Development Forum*** River Tweed Forum Borders Forestry Action Group	Scottish Enterprise Scottish Trade International Scottish Borders Enterprise Locate in Scotland (Rural Unit) Enterprise Trust Scottish Borders Tourist Board Careers Company
Higher Education	Universities of Newcastle and Northumbria		Heriot-Watt University
Further Education	Northumberland and Cumbria College		Borders College
Trades Unions	Northern TUC		Scottish TUC
Private Sector	North East Chamber of Commerce Northern CBI EEF Northern Northern Business Forum Training Providers	Berwickshire Business Club	CBI Scotland Scottish Engineering Chamber of Commerce Border Knitters Forum Training Providers

* Memorandum of Agreement celebrating the achievements of the Borders and commitment to future partnerships signed at the 'Border Visions' Conference, October 2000; ** Including Non-Departmental Public Bodies or Quangos and other non-governmental, 'Third Sector' organisations; *** The Borders Working Party became the Scottish Borders Economic Development Forum, **** Replaced with Local Learning and Skills Councils from April 2001; ***** Replaced with the Small Business Service in 2001.

Source: Author's Interviews, (DANSON *et al.* 2000), (BORDERS WORKING PARTY 1999)

Modernisation and development strategies

Despite the emergent debates about more localised and welfarist alternatives to the current ‘globalisation-competitiveness’ agenda (LOVERING 2001), the Anglo-Scottish Borders are pursuing common, largely ‘post-industrial’ modernisation strategies. These approaches appear to have worked through in the Scottish Borders and been somewhat foreclosed on the English side. Due to their neater institutional arrangements and historically developed capability, the Scottish Borders have developed a far-reaching analysis and longer term strategy. Building on the theme of ‘connections’ – to counter the culture of ‘self-containment’ in the region – and a deeper partnership approach, the ‘New Ways’ strategy was the product of wide consultation (including GO-NE and Berwick Borough Council) and sought to: “set out a long-term development strategy for the economy of the Scottish Borders. It aims for more jobs, strong communities, social inclusion, prosperous businesses and an improved environment” (SCOTTISH BORDERS COUNCIL 1999: 3). This strategy translated into diversification (electronics and services – call centres in Selkirk and Peebles), strengthening traditional sectors by connecting them to research and teaching from further and higher education and creating higher valued added products from primary resources (agriculture, fisheries). The English Borders developed a less tailored response to the crisis – apart from the SRB-supported regeneration task force in Berwick – and largely attempted to deal with the issues as part of their existing activities. This focused upon the Regional Economic Strategies of the North West and North East RDAs but gave relatively little attention and revealed weak understanding of the specific concerns in the English Borders. Sub-regionally, Cumbria County Council (1998) aims to develop a diversified, inclusive and sustainable economy and

the sub-regional Northumberland Strategic Partnership (2000) seeks to overcome structural economic change and social deprivation through developing local solutions. The relative performance of the two strategies in contributing to the modernisation of the Anglo-Scottish Borders region remains to be seen.

Political agency and voice

“Politically, the nations of a union created almost 300 years ago are drawing apart. Increasingly, Anglo-Scottish divisions are widening, priorities diverging. And the people in England’s border country are restless”
(HETHERINGTON 2001).

Political agency and voice in the Anglo-Scottish Borders have been reshaped following devolution, reworking differences evident in the pre-devolution era. Historically, while the rest of Scotland benefited from the powerful Scottish lobby nationally, the Anglo-Scottish Borders perceived disadvantage from its political make-up since it never had many MPs in government nor Ministerial backing for its concerns in Westminster under both Conservative and Labour administrations (Table 7). Cross-border co-operation between Liberal-Democrat MPs failed to compensate. This contrasted markedly to some parts of the North East with their Labour heartlands, strong ministerial representation and often vociferous backbenchers on regional issues (PIKE 1999), although these often did not extend as far as the English Borders whose MPs were largely Conservative and Liberal Democrat. Devolution has changed the political landscape. The Scottish Borders now look to the North and East

in geographical and political terms and their centre of government in Edinburgh – since “the feeling is that the Borders is now a bit closer...[and]...able to influence decisions on local issues” (Editor, Border Telegraph, Author’s Interview, 2000). While registering relatively lower levels of support for the Parliament, in the midst of the late 1990s crisis the Scottish Borders political lobby mobilised to deal with the Parliament and Executive directly. Despite losing as many jobs as elsewhere in Scotland, Borders interests felt they were not receiving as much political attention and resources due to their relatively small size and sparsely populated area.

Table 7: Political Geography of the Anglo-Scottish Borders, 1997-01

Political Representation	Constituencies (Political Parties)	
	English Borders	Scottish Borders
MPs*	Berwick (Lib-Dem) Carlisle (Lab) Hexham (Cons) Penrith and the Borders (Cons)	Dumfries (Lab) Tweeddale, Etterick and Lauderdale (Lib-Dem) Roxburgh and Berwickshire (Lib-Dem)
MSPs**	-	Dumfries (Lab) Roxburgh and Berwickshire (Lib-Dem) Tweeddale, Etterick and Lauderdale (Lib-Dem) South of Scotland Regional List*** (Cons - 4, SNP - 3)
MEPs****	North East (Cons – 1, Lab – 3) North West (Cons – 5, Lab – 4, Lib-Dems – 1)	Scotland (Cons – 2, Lab – 3, Lib-Dem – 1, SNP - 2)
Local Government	Northumberland County (Lab) Cumbria County (Lab)	Scottish Borders Council (NOC)***** Dumfries and Galloway (Independent, SNP, Lab and Lib-Dem coalition)

* 1997-2001 Parliament; ** 1999-2002 Scottish Parliament; *** Elected from Regional List under PR; **** European Parliament 5th Term, 1999-2004; ***** No Overall Control.

Source: http://news.bbc.co.uk/1/hi/english/static/vote2001/results_constituencies/, <http://www.scottish.parliament.uk/msps/>, <http://www.lga.gov.uk/>

The Scottish Borders gained a new class of political agents following devolution – MSPs – that have added to the political diversity of the region (Table 4), although most political representatives tend to “fight with the border hat on irrespective” (Assistant Head of Economic Development, Scottish Borders Council, Author’s Interview, 2000). The SNP MSPs in the Borders have been particularly vociferous in questioning the role of the English Borders as centres of ‘Scottish’ employment and housing and the Viasystems affair:

“the closure of Viasystems with the loss of 1,000 Borders’ jobs was not as a consequence of global pressures on its production there, but [was] in the interests of complying with the conditions attached to their £25 million Regional Selective Assistance which was to create 1,000 jobs at the North Tyneside plant” (Motion to Scottish Parliament, S1M-895#, Monday 30 October 2000).

Generally, however, most political representatives in the Anglo-Scottish Borders are aware that “people are too close to the English to appear anti-English” (Liberal Democrat MP for Berwick, Author’s Interview, 2000). The English Borders look to the South and their respective GOs and RDAs. These are somewhat distant in geographical and political terms (e.g. Carlisle to Manchester; Berwick to Newcastle), complicated by the divided loyalties and responsibilities in Cumbria, and – Regional Chambers notwithstanding – they lack accountability. In the shadow of Scotland’s political settlement, such developments have fuelled a strong campaign for elected regional government in the North East (TOMANEY 2000). Local government mirrors the political diversity of the Anglo-Scottish Borders. In England, Berwick was one of the first local authorities in the UK to proceed to a referendum (unsuccessful) for an elected Mayor as a means of bolstering its political profile and voice in the long shadow of a devolved Scotland. Some are even arguing that the town might be better off in Scotland (again) (THE ECONOMIST 2001). The multi-layered governance system emerging as a result of devolution has meant that the ties holding the UK together are loosening and changing their character (NAIRN 2000), creating complexity and differentiation for the constituent territorial units and reshaping

political agency in the Anglo-Scottish Borders. Whether these emergent voices lead to the development and debate of alternative strategies to the current ‘globalisation-competitiveness’ consensus is, as yet, unclear.

UNITING ISSUES: CO-OPERATION AND COLLABORATION?

Integrated economy

“The economy ignores the border” (Liberal-Democrat MP for Berwick, Author’s Interview, 2000)

Mirroring the historical cross-border Reivers economy, the regional economy is highly integrated across the Anglo-Scottish Border. This integration has long been recognised, for example Scottish Office regional plans acknowledged that the market town for Berwickshire was in England in the 1950-60s. The Anglo-Scottish Borders is a relatively small, open economy and has been shaped by its history of export-oriented industrialisation and its role under British imperialism (CALDER 1998). The labour market, in particular, is closely integrated and self-contained, particularly in the Scottish Borders where there is a relatively low level of in-or-out commuting (HALL AITKEN ASSOCIATES 2000). Historically, people lived and worked in their own town but enhanced mobility coupled with a shrinking Borders jobs market has meant people travelling further to work. A high degree of cross-border cohesion was revealed by the recent closures of Pringle (Berwick) and RAF Carlisle in the English Borders that had far greater employment impacts upon the Scottish Borders where the majority of their workforces were resident. Retail markets too, are closely inter-linked, and reflected in the recent concerns articulated by traders in Carlisle as factory

shopping outlets were being opened in nearby Gretna in Scotland. Both sides of the Border are closely linked through the economy.

Structural problems

“Both sides share the need to develop their economies rather than worrying about the border” (Assistant Head of Economic Development, Scottish Borders Council, Author’s Interview, 2000).

The English and Scottish Borders share an array of structural problems that can be traced back to their common history of industrialisation, including: continued dependence upon a narrow base of declining traditional industries, including coal (Northumberland) and textiles (Scottish Borders), only partially offset by new jobs in private and public services; continued employment and income decline in agriculture and the rural economy compounded by regulatory uncertainty (e.g. CAP reform); relatively low wages and GDP per capita; limited job opportunities; ageing population and high rates of youth out-migration, disguising the degraded skills base and creating relatively low unemployment levels; physical and psychological isolation of disadvantaged groups; weak entrepreneurship and relatively low levels of new business registrations per 10,000 population; low levels of industrial and public infrastructure investment and fragmented and sparse settlement patterns, raising the costs of public service delivery (HALL AITKEN 2000; SCOTTISH BORDERS WORKING PARTY 1999; NORTHUMBERLAND COUNTY COUNCIL 2001;

NORTHUMBERLAND STRATEGIC PARTNERSHIP 2000). For instance, a recent analysis of the Scottish Borders economy for EU Objective 3 funding argued that:

“...the low GDP per capita and the self-contained nature of the local labour market raise questions about the nature and quality of employment opportunities available to residents in the Scottish Borders, particularly in the drive towards the knowledge economy and the focus on value-added processes. Geographic isolation, poor road links and inadequate public transport, common issues in rural areas, are some of the factors which prevent the residents of the Scottish Borders from accessing employment opportunities in neighbouring areas” (Hall Aitken, 2000: 9).

The labour market and infrastructure have been particularly problematic for modernisation strategies on both sides of the Anglo-Scottish Borders. Job search migration is long established in the region, partly as a legacy of the seasonal nature of rural agricultural employment. Out-migration has acted as a regulator to suppress official unemployment figures, allowing the slow attrition of jobs from the traditional sectors and the large losses from the recent factory closures to be more easily absorbed as people left the region readily in search of work. However, the ingrained disposition toward migration due to a perceived lack of opportunities has led to a falling and ageing population as return migration is becoming less well established particularly amongst young people. The stagnant, ageing population has undermined local authority finances and, since the unemployment figures provide a relatively false impression of regional economic health, recognition for Assisted Area status (particularly in the English Borders).

The underdeveloped infrastructure has hampered attempts to link into the growth in Edinburgh, within the Anglo-Scottish Borders and the broader UK, EU and international context. The main trunk roads across the Border have been upgraded only as far South as the Scottish Border (e.g. A1 in the East), mostly reflecting the spending priorities of the Scottish Office pre-devolution and despite English Border's interests active lobbying on business and safety grounds. Both East and West Coast rail lines are awaiting significant investment for upgrading, held up by the current post-privatisation malaise in the industry. A cross-party 'Campaign for Border Rail' has been launched in the Scottish Borders to re-instate at least some sections of the former Waverly Line between Carlisle and Edinburgh to connect the North Borders into Edinburgh's growth and encourage cross-border trade and freight traffic. Critically, this campaign has achieved a high public profile and political support resulting in a £1.9m grant from the Scottish Executive to the Scottish Borders Council to help it prepare a parliamentary order and examine funding opportunities for re-opening the line.

Shared history, culture and identity

The shared culture and identity of the Anglo-Scottish Borders is captured in the Reivers motif: resilience, self-reliance, fighting spirit and independence (FRASER 1971) – maintained by the historic rivalry between the main market towns and shared news media (Border TV) to a degree irrespective of the border. This Borderer's character has been forged by the historical role of the region as an export contributor to British Imperialism, the character of its industrialisation, its deep rooted rural and

agricultural nature, geographical remoteness and a sense of its relative peripherality to centres of decision-making power on both sides of the Border. These shared values have meant the region has increasingly worked together, putting aside its sometimes town-based parochialism and conservatism, particularly in the face of the common adversity of the crisis in the late 1990s. Whether this collective response to adversity means the Anglo-Scottish Borders region is now more open to systematic cross-border co-operation in the medium to longer term – putting aside the fragmenting forces of individualism, factionalism and localistic rivalries – remains an unresolved question. Only limited evidence exists of a growing sense of competitive national or regional identity on either side of the Border. There are only limited concerns amongst local communities about job opportunities on either side of the Border being taken up by English or Scottish residents (Labour MP for Carlisle, Author's Interview, 2000). While we need much more detailed and longer-term work to explicate the role of 'culture' in regional development (MARKUSEN 2000), in facing the collective challenge of the recent crisis the shared culture of the Anglo-Scottish Borders region has not been an unimportant part of the explanation.

CONCLUSIONS

The conventional explanation for the North East region of England's 'post-devolution blues' – that they have grown because of and since devolution and the creation of the Scottish Parliament – has been challenged. The simplistic notion of the divided economy, society and polity across the Anglo-Scottish Border is exposed as the reality is somewhat more complex. An holistic regional political economy approach – that reveals how uneven development is the historical product of spatialised social

relations interacting across a range of scales – has been utilised to analyse the experience of the recent economic development crisis in the Anglo-Scottish Borders. Utilising this approach, the analysis emphasises, first, the particular character of border(s) regions especially their historical complexity, varying permeability to economic, social and political processes and ability to create issues that both divide (inter-territorial competition, public funding, institutions, modernisation and development strategies and political voice and agency) and unite (integrated economy, structural problems and shared culture, identity and history) across the Anglo-Scottish border. Second, the historical antecedents (public funding, institutional endowments, political voice) of many of the economic, social and political discontinuities and disparities were evident across the border *pre*-devolution. Third, evidence relating to each of the different theses concerning the impact of devolution upon the Anglo-Scottish Borders is uneven and as yet inconclusive. Examples included: *status quo* (integrated economy, structural problems, historical culture and identity), *hardening* (inter-territorial competition, divergent policy frameworks), *shadow* (public expenditure, subsidy and fiscal regimes, institutional and political capacity) and *demonstration effect* (North East regional government campaign). Despite suffering deeper employment losses, the Scottish Borders appear better able to cope and adapt as part of an increasingly cohesive ‘national’ – rather than sub-national – Scottish political economy. The English Borders appear less well placed and remain peripheral both to the regionalisation processes in their respective North East and North West regions and to the continued centralised dominance of Westminster, London and the South East region in the English and UK political economy.

Two future paths might be discerned. One is that the interests on either side of the border pursue short-term strategies and engage in cross-border arbitrage in the competition for investment and jobs. While the evidence of this form of development is as yet limited and anecdotal, such a path may set in train a potentially regressive and conflictual ‘race to the bottom’ in economic and social terms and has the potential for deepening the historical trajectories that have forged the differences in the post-devolution context. An alternative path is based upon the co-operation and collaboration already evident across the border. Notwithstanding the need for Scottish interests to share their current advantages, this path could build upon the current joint working to develop medium to longer term strategies for mutually beneficial modernisation of the region on both sides of the Anglo-Scottish Borders. The basis for such co-operation and building a cross-border dimension into public policy domains is recognised on both sides of the border – albeit in relatively pragmatic ways, for instance in their common desire to tie themselves into the growth spill-over effects from Edinburgh. Signs suggest that co-operation is developing, thanks largely to the initiatives of local authorities (e.g. ‘Border Visions’ Conference) and, to a lesser extent, the GO-NE and Scottish Executive (e.g. on Fisheries, Forestry, Tourism). However, the ultimate route taken within the Anglo-Scottish Borders region may be contingent upon two national level developments in the emerging multi-layered and devolving governance system in the UK political economy. First, a needs-based settlement for public expenditure in the UK is required to ensure social and territorial equity and underpin the resources necessary for joint working (MORGAN, 2001). Second, a new political settlement and stronger voice is needed for the English regions as part of the devolution process. Only with such changes might an antidote for the post-devolution blues emerge in the English Borders.

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² Analysis of the Anglo-Scottish Borders region is bedevilled by the lack of comparable data for the English and Scottish sides of the Border. As the map reveals (Figure 1), the particular geography and institutional structures of the constituent territorial units of the region complicates analysis and constrains our ability to ‘get at’ what is happening in the region. On the Scottish side, the two sub-regions – Dumfries and Galloway and Scottish Borders are single tier, unitary local authorities. The former area only abuts the Border in a marginal part of its south eastern corner. On the English side, the abundance of regional data for the North East and North West obscures the sub-regional issues. Closer to the Border, the local authorities are two-tier (in contrast to the Scottish side) and shaped by activity little connected to the Anglo-Scottish Border region. Northumberland is dominated in population and economic activity terms by its South East and Tyne Valley segments that are both centres of employment and commuting belts for Tyneside. Cumbria only adjoins the border at its peripheral North Western edge, near the County capital of Carlisle, and its population and economic base contain important elements in the West and South as well as the Lakes. At the District level, Berwick-upon-Tweed, Alnwick and Tynedale in Northumberland adjoin the Border, with Tynedale closely linked into the commuting flows to Tyneside. Carlisle makes up the rest of the Border in Cumbria.