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Rural development in Wales: looking backwards, looking forwards

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Introduction

Compared with the rest of the United Kingdom, Wales' rural areas are more important, and also quite markedly different. One feature of this divergence is that forty years of European Union membership have left Wales ill-prepared for detachment from the restrictive framework of its supranational territorial policies. Devolution did offer scope for the spatially sensitive strategies that would have promoted progress on rural development in Wales, as Bristow (2000) argued almost two decades ago. Yet there has been a lack of advance in this direction. Blame can be partly attached to the way in which the Common Agricultural Policy (CAP) has evolved, especially its Second Pillar. Partly, also, much of this framework has only weakly affected the real lives of rural people, whereas policy inadequacy in areas such as transport, planning and taxation has been more influential.

While there will be a new range of uncertainties to deal with, during and after exit from the EU, the opportunity to establish a better integration of public action to support and nurture rural development should not be wasted. The CAP has aimed at a notional EU average, and especially after EU expansion, is not and indeed never has been a viable framework for any actual existing member state. With mounting problems, layer upon layer of additions, modifications and constraints have been superimposed, none of which alleviated the inherent failure of its financial, spatial and environmental dimensions, and many of which made its problems worse.

This article examines a few lessons that should have been learned about rural development policy, and speculates about possible directions for its future development. It begins by deconstructing some potent myths about rural development that act as barriers to achieving spatial justice in Wales. Discussion

then turns to how to establish more nuanced principles for policy development and possible choices for implementation beyond 2019.

Four potent myths

The first myth that should be tackled is the (often held, mostly subconscious) idea that a rural economy exists in a somehow tangible form, as if it were a discrete, though smaller, version of regional economies such as Scotland, or Greater London. Abolishing this myth requires argument based on the branch of economics concerned with input-output relationships. This has the basic premise that a change in demand for the final outputs of an economic system will cause a ripple effect, stimulating further changes in outputs of the upper branches of vertically linked industries. For example, a change in demand for milk will affect dairy farmers' demands for inputs of power, feed, fertiliser; and each of these would in turn affect their demand for inputs (Richardson, 1985). It is also

possible to identify forward linkages (Papadas and Dahl, 1999), where a supply source of raw material is altered by a positive or negative shock, affecting downstream industries. Continuing the example, the availability of more milk requires more processing, storage and distribution capacity, and vice-versa.

However, this process is limited by spatial scale. Some outputs are sold outside of the spatial economic system being considered, and proportions of various inputs are also sourced externally. The consequence of these leakages depends on the relative size of the region or area, so that national, regional and local economies, exert respectively weaker multiplier effects. At the level of the rural locality there are virtually no intra-rural linkages at all, making rural households and businesses de facto unique satellites of external adjacent urban economies. In fact, there is no single rural economy, as Harrison-Mayfield (1996) found. Nor, either, are there myriad local rural economies. Courtney et al. (2007) have demonstrated that, without including small rural towns in an analysis, input-output multipliers have negligible effect.

This has importance beyond mere academic sophistry. If rural-urban transaction relationships are regarded as more substantial and

coherent than they really are, then policy errors will result. These will be compounded when combined with the second myth, that agriculture is the ‘backbone’ of the rural economy (e.g. Jones and Patterson, 2013). On a trivial level, if the first myth is untrue then clearly the farm sector can play no role in something that does not exist. However, the myth itself, and its origins, deserve more discussion. It has arisen as a response by the land lobby to the declining share of agricultural value added and the jobs that depend on it, to indicate that, through its multiplier linkages, it is more important than its direct measurement suggests.

It is surprising how potent this myth is, despite evidence to the contrary. For example, Bateman et al. (1991) calculated that even in the most remote rural areas of Wales, less than 15% of total employment was attributable to farming when direct, indirect and induced effects are included. Elsewhere the effects were even weaker. Even that benchmark should be treated with scepticism, for a couple of reasons. At the time they were made, these multiplier measurements overestimated impacts because of the simplifying assumptions involved (elastic supply, linear proportional production functions), but in the intervening period, centralisation and spatial concentration will have

further diminished them. The agricultural sector does indeed exert some overall regional effects (Midmore, 1993), but the proportion that stays within a rural area is limited. Evidence of bi-regional rural-urban systems (Espinosa et al., 2014) shows pronounced leakages: the effects of agriculture and the CAP spending it has attracted were insignificant. In the United States, observed rural multiplier effects have been compared with model-based predictions. Kilkenny and Partridge’s (2009) review shows that, rather than an anticipated positive impact, the outturn is in some cases negative (i.e. the value of the impact multiplier is less than unity). Bizarrely, in some cases at least, developments intended to stimulate economic activity in rural areas have led to its decline.

The last two myths are opposing facets related to a single issue. One asserts that rural areas suffer from significant spatial inequality (e.g. National Assembly for Wales, 2008); the other contends that rural populations’ location decisions are voluntary, based on significant wealth and attraction to the amenity that rural life offers (e.g. Welsh Government, 2008). Pateman, for example, noted, “... it is difficult with the available data to assess whether rural-urban differences represent genuine free choices in lifestyles, or traps that make

it difficult to live how one would like” (2011: 72). The reality is more complicated, since not only are both aspects of the myth to an extent simultaneously true, but their interaction also produces outcomes that are hard to detect. Statistical evidence, as constructed for example in the Wales Index of Multiple Deprivation (Welsh Government, 2015; Williams and Doyle, 2016) is inadequate, since it fails to fully grasp the extent of rural disadvantage due to sparsity and heterogeneity of the population of rural areas. Guinjoan et al. (2016) contend that this problem stems, at least in part, from existing definitions of rural development that focus on inter- rather than intra-spatial equity. Average economic, social and cultural conditions and quality of life of the resident population often compare favourably with the whole of society. Rural people are healthier, live longer, have better life satisfaction on average than their urban counterparts (Sørensen, 2014). However, if rural development is a process by which all rural residents have the opportunity to achieve a material and cultural life broadly equivalent to that of the urban populations, and the two contradictory variants of the third myth can at least in some contexts be concurrently valid, it would be logically impossible for intervention based on the former myth not to adversely

affect those affected by the latter, and vice-versa.

Rural development and public policies

The Second Pillar of the CAP, misleadingly also titled the Rural Development Programme, devotes the main (and in Wales the largest) part of its resources to payments to farmers through agri-environment schemes. The rest of rural development policy is mostly focused on infrastructure, with the rationale of improving rural growth potential and thereby raising employment and incomes. Historically, the balance of policy has favoured hard transport and industrial infrastructures, lowering haulage costs and providing opportunities for urban investors to create employment, to promote more balanced territorial development. This characterised the approach of the Development Board for Rural Wales, and also that of the Welsh Development Agency, both before and after its merger with the former (Hughes, 1998). More recently, priority has been given to digital communications infrastructures, in pursuit of ‘smart’ rural development (Naldi et al., 2015) allowing for distributed patterns of working that exploit knowledge economy and digital technology skills. Public support for both hard and soft infrastructure is still in evidence, although it now has a contemporary smart

specialisation flavouring that tries to utilise the combination of local amenities, creative economies and specialized links to urban supply and demand. As well as for residents, these facets provide potential encouragement for in-migrating entrepreneurs.

However, the augmentation of both physical and virtual communications has had an unforeseen effect of enhancing relative rural real estate asset values, particularly the value of rural residential assets. This has occurred in the context of an employment structure which, due to the thinness of labour markets and the consequent mismatch between skills and available occupations, biases wage levels downwards. Housing then becomes unaffordable for residents, especially at the point of new household formation (Clope et al., 2000; Milbourne and Clope, 2013). This spatial failure of labour and housing markets diminishes private sector employment and makes the level of public sector employment appear relatively high. To maintain a roughly equal level of service provision, though, the absolute size of the rural state does not reflect bloating and inefficiency, as the discourse of austerity might imply; nevertheless, the effect of austerity policies adds a further twist to pressures on housing, employment and reduced

prospects for a dynamic rural development. Eight years of below inflation public sector pay increases, in rural areas that disproportionately depend on central and local government employment (e.g. in 2018 Ceredigion has 31.4% of its employed population in the public sector, compared with 27.1% in Wales as whole and 21.5% in the United Kingdom⁴) have had a dramatic impact on real rural purchasing power.

On pragmatic grounds, these arguments suggest that there is a case for at least some state intervention to achieve territorial justice. In the longer term, there are many issues that could better be managed with an enhanced rural-urban balance of opportunity: managing demographic change in the countryside, relief of urban congestion pressures, and reduced rural tourism impacts, to identify just a few. The barrier to achieving such resolution appears to be an absence of effective championing of the case for policy intervention.

As noted at the beginning of this section, the Wales Rural Development Programme currently devotes a very small proportion of its expenditure to anything other than Glastir, the agri-environment scheme. Of the non-agricultural elements, the LEADER programme which promotes participatory action for local rural development and small additions for enhancing rural broadband and village

renewal, amount in total to less than 5% of Pillar 2 spending. It is paradoxical and perplexing that the LEADER programme, which despite some setbacks (Granberg et al., 2016) has been the most effective in generating impacts, is given such a relatively small share of the budget. This could be a result of the malign influence of the Fontainebleau Agreement, providing the UK with a rebate on the difference between its contributions to and receipts from the European Union budget. The consequence is that, the more expenditure there is on European programmes, the less of a rebate there will be, and so the Treasury has been particularly reluctant to sanction discretionary elements of this type. A thriving portfolio of LEADER projects could have generated a strong advocacy constituency for the Welsh countryside, but several decades of under-funding and relentless requirements for reinvention have diminished that potential. After 2019, there will be two relevant changes. The Fontainebleau rebate will no longer constrain rural spending; conversely, though, the requirement to use a set proportion of rural development funding for LEADER projects will no longer apply. How these two forces interact is by no means clear, but the likelihood of less rather than more spending on effective rural development policies is

a possibility that should be envisaged.

Four principles for rural development policy

The arguments of the preceding sections should bolster the capacity for improved rural advocacy. This penultimate section suggests the four main principles on which a post-Brexit rural development policy in Wales could be based. Drawing on the chronologically dynamic perspective of spatial socio-economic change, the first of these is that any intervention should be knowledge-based. It should require a clear, coherent understanding of specific local rural dynamics and dimensions, leading to locally-adapted interventions which the LEADER Programme attempted to facilitate. Following from this, and requiring that the first principle is satisfied, the second principle requires participation. As much power as possible should be devolved to as low a level of spatial disaggregation as is possible. It is paradoxical that the LEADER Programme was initially not meant to be participatory (Midmore, 1998), but in its first incarnation (apart from the few instances where local government was in control from the start) that experimental dimension proved to be the most useful and effective approach (Ray, 2000). Only when the flavour of participation was introduced as a hallmark of subsequent extensions of the

policy did local authority control – in the United Kingdom at least – make LEADER just another grant giver for schemes requiring the full panoply of EU application bureaucracy.

In general terms, windfall concentration of assets, chiefly housing, in the post-war baby-boom generation (Hoolachan and McKee, 2018) seem to have driven population dynamics outside of urban areas, resulting in a process of spatial demographic redistribution. Local structures of power and governance – especially where ventures of this kind are vulnerable to hijacking by middle class elites – should be considered in policy design, to ensure that spatial justice is not subverted by capture by sectional interests. A strong participatory dimension provides the best shield against the rural development myths and the most hope of effective and locally-adapted innovation.

The third principle is that policy interventions should be designed for the long term. Recognising that rural milieu are not static, the base of knowledge invoked in the first principle needs time to evolve, and it takes time for this to accumulate. Participatory effectiveness which fulfils the second principle is similarly accumulative. This principle could be the hardest to defend as Brexit is likely to produce more concentrated and deeper shifts in policy

than so far experienced in modern times, particularly in the framework for agricultural and rural affairs; more, even, than accession to the EU in 1973.

Sustained interventions are also difficult to support across changes of administration along the electoral cycle, and the even more frequent intra-administration changes of policy emphasis due to turnover of the responsible ministers. To achieve a stable policy environment, the experience of the fixed-term environmental contracts with farmers that overlap policy regimes could be instructive, committing future administrations to continue with existing policy but giving scope for long-term adjustment.

The main question would be the identity of the contractor, and how such an entity could be held to account for fulfilling the contractual obligation. Voluntary associations, the mainstay of participatory rural development, are fragile in all respects apart from the social capital that they can accrue. Local government is a fine institution (Font and Galais, 2011), but its conventions and practices are antithetical to genuine and effective participation. This is an important issue for experimentation, and consequently the sooner the process is set in motion the better the prospects for improving spatial justice. It could take two full Assembly

terms just to generate the necessary momentum for full parity of opportunity between rural and urban Welsh citizens. This process would require support for establishment, review, redesign and inception of projects that make use of local knowledge to adapt public support to the wide variety of rural contexts. Policy planning to account for political processes requires guile and determination.

The fourth and final principle, effective evaluation, guarantees appropriate and accurate assessment of outcomes. The least-missed element of European policy will surely be the Common Monitoring and Evaluation Framework (CMEF). This overly prescriptive, under-resourced set of procedures has led to shallow and ineffective understanding of the underlying spatial-economic processes, and much wasted opportunity for learning from experience. Perversely, the outcome of the CMEF has been repeated policy mistakes, rather than a dynamic stockpiling of new and deeper insights.

LEADER in Wales, despite its shortcomings, has offered the opportunity to develop participatory approaches to rural development. However, evaluation which exploits this participatory dimension is not all well developed. Two aspects are very important: self-evaluation, which sets out to determine what happened and why; and peer

evaluation, which allows the lessons of the mistakes of other initiatives to be learned without paying for their costs. Such procedures cannot, however, be implemented without skilled and sensitive support, which calibrates the interests of experts and practitioners perceptively between guidance, which is desirable, and direction, which is disadvantageous to genuine participatory engagement.

Conclusions

The lessons that emerge from this discussion appear easy to draw but much more difficult to implement. Economic development processes are not aspatial,

however uncomfortable that may be to the standard neoclassical economist. More knowledge about how these processes occur would result in better policies. Yet the gap between these simple insights and the policy mindset could not be more starkly expressed than in the Welsh Government consultation on post-Brexit policy (2018). It fails, noticeably, to mention spatial diversity, nor the role of inequity in driving patterns of economic change in the countryside, and implicitly assumes that the interests of farming are preeminent in the economic functioning of the countryside. Its twin pillars reflect the old division of the CAP. Aid for investment is to

replace basic income payments, even though many farms, driven by tax regimes, are already overcapitalised (Guan et al, 2009). The balance of policy will shift to support for ecosystem services production, despite notorious difficulties in outcome measurement (Bateman and Balmford, 2018). The non-agricultural part of rural economic activity, so often an afterthought in the implementation of the EU CAP, appears to have been forgotten completely. Thus, as realistic and desirable an informed and effective rural advocacy might be, there is clearly a long road to travel before it is achieved.

Endnote

1. Source: StatsWales database, <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Persons-Employed/publicprivatesectoremployment-by-welshlocalauthority-status>

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