

'TOO MUCH ON THE HIGHLANDS?' RECASTING THE ECONOMIC HISTORY OF THE HIGHLANDS AND ISLANDS

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In an influential intervention on rural history published in 1994, which argued for a shift in emphasis in the study of the agrarian economy from the Highlands to the Lowlands, Roy Campbell opened by declaring:

A fascinating, though perhaps somewhat fruitless task is to speculate on why historians choose to investigate one topic rather than another. Sometimes there may be no special reason. Sometimes their interest may reflect a current vogue, for history has its fashions even when they masquerade as fundamental problems whose solution, it is hoped, will clarify much that has long puzzled the wisdom of many. Neglect of seemingly uninteresting or unfashionable topics does not necessarily have misleading consequences. It may simply limit knowledge or, more seriously, minimise variety and ignore subtle distinctions. Neglect may have more far-reaching consequences, however, if it is the result of allowing extraneous influences and pressures to determine the key problems to be investigated.¹

As one of an eminent *troika* of economic historians of Scotland in the 1960s and 1970s, Campbell (alongside Bruce Lenman and Anthony Slaven) was responsible for redressing the 'virtually unknown territory' of 'industrial history', one that Campbell implicitly associated with the central belt of Scotland.² Ironically, in aiming to elucidate a fundamental quandary facing the historian in the selection and pursuit of a field, Campbell implicitly made a number of assumptions that might be argued to have had 'far-reaching consequences' themselves: firstly, that there had been too much research on the rural history of the Highlands and the Islands, and secondly, that industrialisation was the history of Lowland Scotland. And yet, Campbell was identifying a fundamental shortcoming in the economic history of the Highlands and Islands, acuity on land reform and crofting to the exclusion of other economic activity. The implications of this were to be seen to be further underlining the notion of the 'Highland problem'. In effectively

sustaining the picture of Highland economic and social exceptionalism, Campbell missed the opportunity to address the theoretical assumptions underpinning two sets of approaches to the region, ones that he had identified in a review some thirty-five years before.

Opinion on the “Highland problem” too often falls into one of two radically opposed camps. To some, it, like the poor, will always be with us; to others, it is capable of fairly easy solution, provided certain appropriate and administrative and economic remedies are applied.³

This exceptionalism, as Catriona Macdonald recently noted, has left the Highlands

... stranded between two implicit yet resilient traditions. ... such perspectives, united in their cynicism if little else, have succeeded in distorting much of our knowledge regarding the manner in which the Highlands have always interacted with and continue to participate in wider economic changes.⁴

And yet, while Macdonald (like Campbell before) asserts the debilitating effects of these two forces, and acknowledges that ‘the problems, which were evident in the Highland economy, had emerged not through lack of integration with the wider world but as a result of the nature of integration’, the core of the problem is absent from her analysis.⁵

This article seeks to open a new debate on the history of the evolution of the economies of the Highlands and Islands. In the process, it explores the underlying reasons for the neglect of this area and argues for a thorough examination of economic activity in the region through an historical lens, underpinned by conceptual frameworks. For the purposes of this essay, the focus is on the seven crofting counties, rather than northern Scotland as a whole. The rationale for this is to address some of the arguments advanced about Highland exceptionalism, including discussion of the influence of crofting and the associated factors on the development of both the literature and policy on the region. It also allows for comparisons to be drawn to other geographically peripheral areas, and their relationships with the ‘core’, including the Canadian Maritimes, the Italian south, and parts of Norway. However, the article’s main intention is to draw out connections with other parts of the Scottish and UK economies in order to situate the region within the appropriate context. Though this article focuses principally on the period from the nineteenth through the twenty-first centuries, it does address itself to some of the arguments made for the Highlands between 1750 and 1841. A key intention then is to give some insight into economic diversification within the region, both before and after substantial state intervention. The importance of this lies not only in revisiting a crucial aspect of Highland and Scottish history, but also in exploring current and future economic policy for the Highlands and Islands, and other peripheral regions, in view of the influence of history on public debates and policy-making. In a recent critique of ‘New Economic Geography’, Garretson and Martin observe

that the 'actual history of economic landscapes', as opposed to a pre-determined 'set of possible equilibrium economic landscapes' – or put differently, the 'real' as opposed to 'model world' – is crucial to determining more representative models.⁶ This is made all the more important given both the traditional neglect of historical perspectives in policy formulation, and the growing recognition of its importance in 'policy science'.⁷ In this respect, the Highlands offers an appropriate example to analyse with its experience of a variety of different approaches to economic development ranging from direct state intervention to the hands-off approach.

The 'Highland Problem': selling exceptionalism

'There is a long tradition in Scottish history of treating the Highlands as a case apart', Devine remarked in a 2005 chapter exploring the transformation of agricultural in Scotland for the period from 1750.⁸ Conceding that 'it might be argued that the Highlands became even more obviously idiosyncratic during the age of transformation after c.1750', Devine nevertheless proposed that, in part, this arose from the departure point for many historians of the region: 'The analytical issue for the historian of the Highlands tends to focus not on the reasons for success but on the causes of failure'.⁹

Devine's essay is a rare departure in the historiography in that it emphasises, albeit for the period from c.1750 to 1841, the interlocking of key sectors within the Highland economy (and market penetration both of raw materials and finished products) – notably kelp, linen, wool, slate, and whisky – with the Scottish and British economy. Indeed, in common with other parts of Scotland and Britain later on, it was precisely the openness of the Highland economy within imperial markets that made it vulnerable to competition, such as that from Australia in wools from the 1820s onwards. Crucially Devine underlines the diversification in and localised specificity of the economy of the Highlands and Islands.¹⁰ And whilst acknowledging the very real social distress caused by some lairds associated with 'improvement', such as the infamous Duke of Sutherland, Devine is also careful to draw out the distinctions amongst elites in the region.

Some blame the landowners for failure. Resolving that complex and emotive question is difficult because, as recent work has shown, the landed class was far from monolithic and strategies varied significantly. Some proprietors did try to fund fishing and industrial development while others were much less proactive and squandered their rental incomes outside the Highlands. On the other hand, money also poured into the region as new owners replaced most of the old élites.¹¹

This same diverse range of responses and *mélange* of motives amongst political and economic elites is evident for the later periods too, as the case of aluminium

production in this edition (and elsewhere), abundantly demonstrate.¹² For whilst state investment, and later on direct economic management, remained important to the region (as to many other areas within Britain), so were private capital schemes. Notwithstanding the various crises and disasters that befell the Highlands with the fall in prices and contraction of markets for cattle, wool and fish, the protracted demise of kelp production, and finally the potato famine, between 1810 and 1846, the spread of economic activities was still diverse with local experience varying. In this respect, while much has been made of the unyielding nature of the Highland topography for agriculture, ironically the region was (and continues to be) resource rich in its energy sources. This was absolutely crucial in energy-intensive industries, such as the metallurgical sectors. Iron smelting, for example, combined local and inward investment and ores, with a plentiful supply of timber, proliferated across the Highlands between the 1720s and late 1860s: at *Auch-na-Cheardach* ('fields of the smithy') and *Rudhana Cheardach* ('smithy point'), Inverness-shire; *A-Cheardach-Ruadh* ('red smiddy') at Poolewe, Ross-shire; and Bonawe in (Argyllshire). At Bonawe, for example, the English iron firm, Richard Ford and Company, were able to make savings on the costs of charcoal of 33 per cent over their Lancashire works. Although the cost of transporting the ore to the Argyllshire site increased (by 18 per cent), this apparently offered them a not insignificant 'competitive advantage' over some of their competitors. Later still, the Rose Street, as well as the earlier Falcon, foundries operated in Inverness, while one operated in Thurso too.¹³ Like its counterpart of the first industrial revolution, so too the outside investors in the electro-metallurgical methods of aluminium production – so symbolic of the second industrial revolution – were drawn to the western Highlands because of the hydro-electric potential of its combination of high precipitation and water catchment areas.¹⁴

Whatever the environmental legacy, and industrial and social contests that arose in these industries, the jobs that they sustained and income they generated (as well as social provisions, such as housing), were, to a greater or lesser degree, a boon for those employed in them, as well the localities and the region as a whole.¹⁵ Perhaps of even more importance is the fact that they challenged the prevailing opinion of the Highlands as a region that could not sustain industry, and economic diversification. Arguably, nothing better exemplifies Campbell's point about 'extraneous influences and pressures' predicting the focus of research than the strong declinist narrative of the Highlands. As Jim Tomlinson has observed of the potency of 'declinism' in relation to British economic performance, despite being founded on ill-judged evidence, it is a 'concept with real effects... both politically powerful and politically harmful'.¹⁶ A similar perspective in relation to the Canadian Maritimes provides a pertinent comparison here: 'the Maritime region has always been viewed as an add-on, a special case, a lagging region, a problem to be addressed by special measures'.¹⁷ The language deployed in this depiction of the Canadian Maritime region is reflective of much of the

commentary on the Highlands—an area incapable of helping itself and in need of exceptional external assistance.

The premise of the 'Highland problem' as intractable has been well ensconced. Reporting to the Board of Agriculture for Scotland in 1914, the University of St Andrew's economist W R Scott, declared:

With reference to the prospects of industries in the Highlands, it is necessary to speak with a certain amount of circumspection, more especially when one remembers how events have hitherto falsified optimistic forecasts and have confirmed those of a pessimistic nature... For some reason, which may be either racial or geographical, or perhaps both, it is necessary to discount largely from hopeful anticipations of industrial progress in the Highlands.¹⁸

In spite of both private capital initiatives and state intervention, this view continued to pervade influential thinking on the subject well into the second half of the twentieth century. The pioneering photojournalistic magazine, *The Picture Post*, described the area as 'Britain's most gravely depressed area'.¹⁹ Economists Donald Mackay and Neil Buxton, writing in the same year as the Highlands and Islands Development (Scotland) Act 1965 was enacted, reiterated much orthodox thought on the subject.

What evidence there is available suggests that there is no economic case for the development of the Highland area... the economic solution to the 'Highland Problem' is to induce the movement of labour out of, and not the movement of capital into, the area.²⁰

Arguably more damaging was the glib utterance on Scottish TV in 1978 by erstwhile Highlands and Islands Development Board (HIDB) chairman Sir Robert Grieve that: 'Glasgow is one joker in the Scottish pack; the Highlands are the other'.²¹ Coming from the former chairman of the government board charged with developing the region economically and industrially (and the former Chief Planner for Scotland), Grieve's comments did little to dispel the notion that the area was economically stricken, neatly undoing much of the good work the board conducted under his stewardship.

Such commentary did little for changing perceptions of the Highlands. As the British trade unionist (and latter Labour Foreign Secretary) Ernest Bevin had astutely observed about the designation of 'depressed areas' in the 1930s in his evidence to the Royal Commission on the Geographical Distribution of the Industrial Population: 'It is of no great inducement to anybody to open a business... when you tell him he is going to a place where there is a depression'.²² The Lowland entrepreneur John Rollo (who had invested heavily in the region, and acted on behalf of the Board of Trade and Scottish Office in evaluating claims on grant applications) commented in 1956 that

To the average industrialist the thought of a factory in a remote part of the Highlands raises nightmares of remote control, dreadful transport and the much repeated but despicable slander of the “lazy Highlander” as well as the pre-determined certainty that such a venture could result only in loss.²³

In the historiography, this declinist view has been identified pre-eminently with Malcolm Gray's 1957 work, *The Highland Economy 1750–1850*. Roy Campbell succumbed to similar instincts in his *Scotland since 1707*, a work that paints an unremittingly dismal picture of the Highland economy and society, successively dismissing various enterprises from production of linen – ‘not an indigenous, independent, industrial growth’ – through to whisky (‘one with a greater influence in a region with few satisfactory alternatives’ but one that ‘did not remain a universal supplement to either subsistence or cash income throughout the region’). In criticising Highland linen production along the lines that he does, Campbell overlooks the full resource flows of the sector, and the potential ‘economies in scale and scope’ that this could afford in industry.²⁴ As, admittedly, more recent research shows, much of the capital invested in the industrialisation of Scotland from Glasgow's savings banks flowed from the ill-gotten gains of Caribbean plantations. Thus, by the standards Campbell applied to the case of Highland linen, significant sections of Scottish industry could not be adjudged to ‘independent’.²⁵ Ironically, Campbell's dismissal of the Highland whisky trade is undermined by his cataloguing of its remarkably successful market penetration in both Lowland Scotland and England later in the book, indicating that perhaps the region was not quite as hopeless as he had observed.²⁶ His oversight of the aluminium industry – as an aside to hydroelectricity, attributed to ‘special aid’ – overlooks its profound significance for the Highlands and the fact that it was private capital, rather than public subsidy, that brought this about. Moreover, this arose from the draw to investors of the water power potential to the region, where they built three smelters and have remained since 1895. Campbell implicitly conforms to the same orthodoxy evident in Mackay and Buxton's article, when he declares: ‘Without any question the major area of distress in Scotland was the Highlands, where the remedy adopted, the simple one of emigration, did not give rise to any consequential problems’.²⁷ Here, Campbell reveals the highly significant role of these industries; their social benefit. For, if no other reason than the provision of additional subsistence to generations of Highlanders, who might otherwise have migrated to Lowland cities or emigrated to North America and beyond, then the direct and indirect benefits of a range of economic activities (such iron works, slate quarries and aluminium smelters) were immediately measurable. Campbell's judgement was ultimately clouded by preconceptions that were more profound (and shared much with Scott, Mackay and Buxton), as he made abundantly clear in an effusive review of Gray's *Highland Economy* redolent with assumptions about Highland, as well as Lowland, Scotland:

On the other hand were the new, primarily economic, motives, acceptable in an industrial society but not in one ruled by custom. The refusal of the Highlander to accept these, to allow his conduct to be motivated by economic ambition, is not only an historical episode. It is also relevant to the present.²⁸

If this narrative has served to reinforce the portrait of the Highlands and Islands as 'problem' area, then the view of it as depressed has been further sustained by an overwhelming focus in the historiography of the region on land clearance by landowners, crofting and land agitation.²⁹ Keynes' oft-quoted comment is apposite here: 'The power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas'.³⁰ Keynes' observation, although directed elsewhere, neatly encapsulates the problems with much of the analysis and commentary on the Highlands. The vested interests of landowners and the discord between them and tenants has taken up the majority of writings on the region although there has been little recognition of the tone of the discussion and the unrelenting negativity of coverage and its effects. Though understandable given the significance of land-ownership, and in particular crofting, to the Highlands and Islands (culturally and socially more than economically), it has nevertheless detracted from the wider economic, and social, picture of a diverse area. From a different perspective, and more evidently predisposed to the Highlands and Islands, this historical narrative has nevertheless had a direct impact on perceptions of the region. While several more recent studies of the Highlands and Islands during the twentieth century have explored diversity within the regional economy, to a greater or lesser degree, much of that focus has been on state intervention, serving to underline the view of it as dependent and peripheralised.³¹ When combined with the declinist narrative, it is apparent that the over-riding impression conveyed by the literature (and policy foci) on the region is that of an area unable to help itself and requiring 'top-down' solutions from outside.

Alongside these, another equally significant cultural determinant may also be the continuing imagination of the Highlands and Islands as wild and untamed landscape – the region is routinely depicted in newspaper articles, tourist guides and academic papers as Britain or Europe's 'last great wilderness', a place largely unspoilt by human occupation. As sociologist David McCrone has observed:

Scotland is dominated by two cultural landscapes. On the one hand, it is a "peopleless place" reflected in its rural, essentially Highland, image of empty spaces as if no one has ever lived there. On the other hand, it is a place of teeming towns, densely populated and dominated by tenements."³²

The images of economic dynamism that agglomeration and cities afford may well also be an explanatory factor in the perception of the Highlands as a depressed area. Attempts at developing Inverness into a more substantial settlement stalled despite repeated suggestions. The *Tribune Magazine* reported in 1967 that

The frequently propounded concept of a linear city stretching from Inverness to Invergordon—an academic fantasy in terms of the immediately practicable—did not enhance the Board's [HIDB] prestige or the authority of its Chairman.³³

The reason for the dominance of these narratives and research agendas arises from a number of factors. Partly, the sustained focus on the clearances, crofting and land agitation is a matter of personal (social and political), and academic, merit. However, it is also a powerful narrative used to great effect in political lobbying both by Gaelic and crofting groups, the significance of which can be judged from the fact that crofting continues to enjoy plentiful subsidy, largely justified on historical reasons of population retention in peripheral areas. Crofting currently receives more than £40m per year in subsidies from the Scottish Government in the form of specific crofting grants, less favoured area support and wider agricultural and development support,³⁴ as well as being the subject of five specific Acts of Parliament since 2001 alone. Between 2011 and 2015, Gaelic is projected to have £83.2m spent on it by the Scottish Government, with a further £18m committed by Local Government—a commitment of over £100m of public monies on a language spoken by 58,652, or 1.2 per cent of the Scottish population, according to the 2001 census.³⁵ In part, this lacuna into research of the Highland economy arises from the negative orthodoxy as espoused by Scott, Mackay, Buxton, Gray and others—one that proved so compelling in public debates about, and government policy towards, the region.³⁶ As John Burnett has recently noted, the clearances, along with the '45, have continued to exercise a powerful hold on collective narratives and perceptions both within and of the Highlands and Islands.³⁷ This, along with the continued perception of the Highlands and Islands as a wilderness (an image that has been important to cultivate in terms of attracting another significant income strand to the region in the form of tourism), has served visibly to inure what psychologists would refer to as 'bounded rationality'—the limiting of knowledge, and investigation, because of fixed parameters—in the approach to research agenda on the Highlands.³⁸ These narratives have also bred a measure of 'path dependence'—both on their effects on policy-making and political lobbying—trammelling approaches to the Highlands and Islands along orthodox lines, with little consideration of alternative options. As one of the eminent figures in Highland historiography, particularly the clearances, crofting and land ownership, and erstwhile chairman of Highlands and Islands Enterprise, James Hunter, more recently, has implicitly conceded the real effects that this has had on the region: 'There is a job to be done here in convincing people that the Highlands are no longer the declining, demoralised area it once was in the first half of the 20th century.'³⁹ At the heart of this debate, Hunter earlier recognised, lay history.⁴⁰ Significantly, this is also key to 'de-locking' the region from any residual impressions of it as 'depressed' and economically peripheral.⁴¹

Assessing the case for review

Returning to Roy Campbell's original premise of there being 'too much on the Highlands', it is still the case nearly twenty years after Campbell's assertion that no single work has comprehensively and rigorously examined the modern economic history of the region. Indeed, it remains one of the major gaps in the literature on modern Scottish history. This is a somewhat peculiar situation for an area that covers more than half of the land mass of Scotland and is symbolically even more important. This article does not seek to dispel the view that crofting has historically played a highly significant role economically, but even more culturally and socially, in the Highlands and Islands. Equally, it acknowledges that from Annexed Forfeited Estates and the British Fisheries Society to HIE, the state has been central to the economic and social life of the modern Highlands and Islands. If at times, the state (and its agencies) have had a chequered record—through responding inadequately, belatedly or with questionable judgement—then equally it has suffered the ignominy of being blamed for shortcomings that lay elsewhere. The latter tendency has periodically stemmed from the fact that over the course of the nineteenth to twenty-first centuries, jurisdiction for Highland matters has been subject to the involvement of sometimes competing departmental agendas, as well as a latent suspicion of policy-makers (even more so frequently those from Edinburgh and Glasgow than London). One of the region's more 'progressive' lairds, Cameron of Lochiel, observed in a letter to Highland development campaigner and Provost of Inverness Sir Alexander McEwen in 1935, thereby restating a common narrative: 'I heartily distrust Glasgow and the Lowlands far more than I do London.'⁴² Hunter echoes a similar sentiment with a story about an elderly gentleman in Sutherland, when asked if he would be voting for devolution in the 1979 referendum. "'Well", he said, "in London they don't give a damn about Highlanders, but in Edinburgh they hate us"'.⁴³ The tensions between London and Edinburgh, on the one hand, and between the Highlands and both Westminster and the Scottish Office, on the other, throughout much of the twentieth century, point to a wider malaise about local direction in economic initiatives—an issue which in the latter parts of the century had started to be addressed more effectively with the creation and operation of employer-led Local Enterprise companies feeding into HIE policy and actions in the area. The historical tensions between the region and outside are indicative of debates about a 'democratic deficit' in Scotland more generally, opening up broad questions about national and regional economic models and 'varieties of capitalism'.⁴⁴

The State and the Highlands

Much of the policy-led historical exceptionalism afforded to the Highlands has its roots in the fallout from the clearances. Notions of sentiment and publicly expressed guilt at the lot of the Highlander in particular characterised the debates

and public motivations behind what was arguably the most concentrated period of state intervention and direction of the Highland economy in the post-war period, led and promulgated by the then Secretary of State for Scotland Willie Ross – a man not known for his soft heart. The creation of the HIDB fell into a period of significant investment in the region by Westminster, administered by the Scottish Office and the various secretaries of state. In introducing the Highland Development Act 1965 (presaging the creation of the HIDB) to the House of Commons for debate Ross made the following statement:

For 200 years the Highlander has been the man on Scotland's conscience... No part of Scotland has been given a shabbier deal by history from the '45 onwards. Too often there has only been one way out of his trouble for the person born in the Highlands – emigration.⁴⁵

Levitt and Cameron have both identified Scottish sentiment for the Highlands and the fall-out from the clearances as constraints on policy towards the area. Cameron argued that Ross' sentimental and emotive introduction of the Bill tapped into an ongoing argument that found its roots in the 1930s – that the treatment of the Highlands constituted a 'special case' due to the region's unique characteristics.⁴⁶

The idea of Scottish sentiment for the Highlands is thus an important one. It was recognised in the Scottish Office in its role directing post-war development in Scotland that there was a sentimentality for the Highlands in Scottish public opinion that could not be ignored. Douglas Haddow, soon to be the permanent under secretary at the Scottish Office and *de facto* head of the civil service in Scotland, is noted to have said of the area in 1962 that '... there was a sentimental feeling for the Highlands that meant that public opinion was prepared to see that area of Scotland treated specially'.⁴⁷ The idea that the region deserved special treatment in light of its depopulation and unemployment problems sparked off by the Highland Clearances was powerful enough to characterise much of the discussion regarding Highland policy in the 1960s, helped in no small measure by the commercial success of John Prebble's *The Highland Clearances* depicting widespread evictions throughout the area in the name of modernisation and capitalism.⁴⁸ Hunter contends that this was due to the Highlands and Islands being 'treated harshly and exploitatively by the Scottish state... and the United Kingdom' and that the area was owed help.⁴⁹ More recently, in a speech to the Royal Society of Edinburgh, Hunter averred that 'had governments not done what they did in northern Scotland over the last 120 or so years' then the more recent upsurge in the economic fortunes of the Highlands and Islands would not have happened. As he further acknowledged, state subsidy and development initiatives in the Highlands owed much to 'a continuing need to atone for previous neglect – or worse'.⁵⁰ This does, however, ignore the fact that the attempted industrial development of the region was a concerted effort by the Scottish Office as an instrument of the state to bring the area up to speed with the rest of the country economically and at the same time ensure that continued depopulation did not become more of a

political issue. So that while there was certainly a belief that the area needed and deserved help, crystallised by Ross' assertion that the Highlander was 'the man on Scotland's conscience', this was soon usurped by national economic and political concerns.⁵¹ The implication of Ross and Hunter's positions was that there was culpability on the part of the state at Scottish and UK levels for the Highlands' situation and it was incumbent on the state to rectify the problems.

The Highlands may have had a particular set of relatively exceptional circumstances at the domestic level which were used as a justification for state involvement in the post-war period, but the type of involvement was congruent with approaches elsewhere in Scotland, the UK and indeed further afield. The creation of the HIDB was consistent with the inauguration of a series of regional development boards and agencies across the UK during the 1960s heyday of Keynesian-inspired economic planning. The four large industrial developments at Corpach (paper pulp manufacture), Aviemore (tourist facility), Invergordon (aluminium smelting) and Dounreay (nuclear power) were accompanied by a number of other similar developments all over Scotland and the UK with the state often playing an enterprising role in attempting to modernise British industry by seeking out and exploiting technological and commercial opportunity to retain its competitive advantage in the face of increasing globalisation.⁵² The automobile plant at Linwood (1961), the lorry plant at Bathgate (1961), the steelworks at Ravenscraig (1967) and the nuclear power stations at Hunterston (1964 and 1968) are all examples of similar government-directed post-war industrial developments in Scotland. The rest of the UK saw a proliferation of nuclear power stations, the development of Concorde, aluminium smelting and improvements in existing industries such as car manufacturing, steelmaking and shipbuilding in an attempt to modernise British industry. In European terms, the attempts at industrialising the peripheral Italian south are an obvious comparison with the Highlands. The Scottish business journalist Alf Young made the comparison between the two areas in Alastair Hetherington's book on the region celebrating the twenty-fifth anniversary of the HIDB.⁵³ A peripheral area suffering from depopulation and economic depression, the Italian south was subject to significant public investment through state enterprise, resulting in the creation of 'cathedrals in the desert'—a series of industrial developments intended to act as population anchors and help modernise the region but beset by a lack of infrastructure.⁵⁴ Similarly in north Norway during the same period a series of 'cornerstone' industries were being set up as part of the north Norway Development Plan, launched in 1952, aimed at ensuring population retention and encouragement of enterprise in what was/is one of Europe's most peripheral areas.⁵⁵ In much the same fashion as in the Highlands, both the Italian and Norwegian experiences had difficulty in embedding themselves in their respective locations due to a lack of investment in the necessary infrastructure to sustain them.

State involvement in the economic and industrial development of the Highlands in the 1960s was not simply about headline-capturing large-scale

industrial projects however. The creation of the HIDB was initially an attempt at encouraging 'bottom-up' development through a focus on support for small and medium sized enterprises (SMEs). To this end a series of grants was available for enterprising Highlanders seeking to create or further develop their own businesses in the region. However, some were more enterprising than others and sought to take advantage of the relatively easy borrowing requirements. In a memorandum regarding the Highland Fund from 1968 from the Department of Agriculture and Fisheries for Scotland it was stated 'It has been brought before to a head [suggesting this was a recurrent problem] by the Fund finding that a few of their recalcitrant borrowers have gone to the Highlands and Islands Development Board for additional money, and got it'.⁵⁶ It is less surprising that this kind of episode was happening repeatedly with the HIDB when one learns that there was no research and policy division within the organisation until 1977 – some twelve years after its formulation. Decisions on investment and grants were made without reference to a strong evidence base and on informal networks of influence and character judgement. Several documents in the archives point out the lack of appropriate accounting procedures and paper trails for monies paid out⁵⁷, indicating a relatively piecemeal approach lacking in any real strategic direction.

The initial focus on developing grassroots industry in the area was soon usurped by politicking at Edinburgh and London levels with successive Scottish secretaries of state seeking to stamp their authority on proceedings by 'winning' projects from Westminster for Scotland, and by extension the Highlands. A case in point is the Dounreay nuclear power station Prototype Fast Reactor (PFR). Mooted as a potential growth pole vis-à-vis the Toothill Report's recommendations, the PFR came to the Highlands as a direct result of strong lobbying of the Ministry of Technology by Robert Grieve in his role as HIDB chairman and Willie Ross as Secretary of State for Scotland.⁵⁸ Ironically, given the failure of the original fast reactor located there in the 1950s to act as an effective growth pole, the then Minister for Technology, Frank Cousins, said at the time it would be a better use of public money to give each resident in the area £100,000 and 'let them get on with it'⁵⁹ – an approach which HIDB's successor HIE was closer to taking with a renewed focus on enterprise encouragement, albeit without quite the beneficence of Cousins' glib suggestion.

Despite some shortcomings and an early scandal, the HIDB performed well – contrary to some accounts – considering that its activities were regularly circumscribed by the government sponsorship department.⁶⁰ In fact, many of the problems experienced were indicative of shortcomings in British planning more generally, not least using political criteria to place new industries, and identified as a weakness in need of addressing by the Toothill enquiry in 1961.⁶¹ This was borne out by subsequent closures across Scotland of the Linwood car plant, Ravenscraig strip mill, and the Invergordon smelter, as well as others explored in more detail elsewhere.⁶² The HIDB was encumbered by unreliable data, fluctuating and imprecise objectives, and frequent misplaced central direction, on the one hand,

and under-resourced economic analytical services in the Scottish Office, on the other. Its successor, HIE, fared much better in terms of encouraging sustainable development although many of the problems regarding economic intelligence and data remain an ongoing issue.

With the winding up of the HIDB in 1990, and its replacement by HIE in 1991, the state's approach to economic development changed in emphasis. The directly interventionist approach of those charged with administering and encouraging Highland development changed to one with a greater focus on economic objectives. The retreat from centralised economic decision-making was apparent in the makeup of the new agency with ten Local Enterprise Companies (LECs) set up around a central core. This has prompted MacKinnon to characterise it as 'restructured through the deployment of 'managerial' technologies designed to realise the objectives of neo-liberal programmes of government'. The 'managerial' technologies MacKinnon identified included financial controls and targeting, bringing a greater degree of accountability and professionalism to local governance in the region.⁶³ However, if at first sight this looks like mirroring the approach elsewhere in Scotland (England and Wales received Training and Enterprise Councils [TECs]), then the retention of social objectives for HIE contrasted with the experience elsewhere.⁶⁴ More recently, the notion of intractability of the Highland problem has been far less prevalent in discourses on the area's economic future, save for the occasional stramash over land ownership with the Isle of Eigg and Knoydart episodes proving to be particularly illustrative of the new political economic environment in which development is taking place with communities at the centre. This new environment is perhaps best exemplified by the investment in increased internet connectivity for the region with monies directed initially toward ISDN and more latterly, improved broadband provision offering increased potential for 'home working' (with its resultant effects on population retention) and new business creation, both of which have largely eluded the region for decades.

The operationalising of 'local empowerment', along with the retention of social objectives, has bred a renewed sense of optimism in the region and an increasingly apparent form of 'democratic capitalism' (consistent with certain elements of the Nordic model, especially that of Norway), addressing many of the democratic deficit criticisms that plagued earlier attempts at economic and industrial development of the region.⁶⁵ HIE's success in helping to create and develop the long-discussed University of the Highlands and Islands (UHI) has arguably been the biggest physical success of its lifetime thus far. The establishment of a university for the region was a point of perennial discussion for several hundreds of years before becoming a reality—Sir Thomas Urquhart first proposed the idea of a Highland university in 1653, which, had it been established then, would have been one of the oldest institutions in not just Scotland, but the whole of the UK. Instead UHI now finds itself as one of the newest universities in the UK, having gained full university status in 2011 with

a number of campuses located all over the region working in tandem with the LECs to facilitate ‘bottom-up’ development both educationally and economically. With the establishment of UHI, other economic development models are now available to the region that were previously beyond it. For example, Etzkowitz and Leyesdorff’s Triple Helix model of government–university–business engagements is becoming increasingly apparent in many of the activities in the Highlands, aided by support and financing from HIE. In 2007–8, UHI posted impressive results, coming seventh out of eighteen higher education institutions in third mission income (income derived from business engagement and community engagement and not drawn from central Scottish government funds), posting income of over £15m for the year—better than several more established Scottish universities including the Universities of Stirling and St Andrews.⁶⁶ HIE’s role in facilitating these engagements between UHI and business should not be underestimated with the two organisations working very closely together on a range of strategic partnerships.⁶⁷

The Problem of Data

As successful as HIE has been in improving the region’s economic performance, it still faces major issues which have strong historical roots. One such issue facing the state in dealing with the Highlands, and Scotland more widely, is a lack of data on economic activity, an ongoing problem identified in each of the preceding decades dating back to the 1960s. Writing as a lecturer in Applied Economics at the University of Glasgow in the same year as the HIDB was created, Gavin McCrone decried the lack of regional statistics at the Scottish national level and called for a vast improvement in the provision of regional statistics in order to tackle properly the problem of regional development.⁶⁸ McCrone’s criticisms of the data available, or unavailable, echoed an earlier analysis of government expenditure in the Highlands between 1951 and 1960 undertaken by the then Harvard economist and later founder of the Fraser of Allander Institute, David Simpson. Simpson noted that the collection of baseline data on economic performance, before the establishment of the HIDB, was neither undertaken systematically nor was it subject to rigorous analysis, moving him to state that ‘Reasons for policy failure are not hard to find: there is no evidence of the application of economic analysis to the Programme of Highland Development’.⁶⁹

There are a number of explanations for the paucity of economic data collected on the region. The first was a problem affecting all economic policy in Scotland, and one closely identified with the political notion of the country’s ‘democratic deficit’ within the UK⁷⁰ and the difficulty of establishing evidence-based policy-making in rural areas in Scotland due to consistency and collection issues.⁷¹ This too has historical roots. It was not until 1972 that a Chief Economic Adviser (the aforementioned Gavin McCrone) was appointed to the Scottish Office and economists were poorly represented in the department.

Decision-making on the Scottish economy was previously determined by Whitehall economists who, as Peden points out, 'saw Scotland's problems from a UK, macro-economic perspective' while 'allocation of funds tended to be decided by the hunch of administrative civil servants and the political concerns of ministers'.⁷² The second factor lies in policy-makers' approaches to the 'Highland Problem', one that tended to measure the effectiveness of investment using population figures – and outward and inward migration – as the principal indicator with various justifications being made for excessive 'cost per job created' figures to Whitehall on the basis of exceptionalism.⁷³ Despite the creation of the policy and research division within HIDB in 1977, the impact of inward investment and economic performance was principally measured in terms of demographic changes.⁷⁴

Even by 1990 the HIDB still was not clear on how much it had physically spent on encouraging economic activity in the region; Hetherington's aforementioned book celebrating the Board's twenty-fifth anniversary contains nine appendices with official data on the various types of expenditure, sectors and areas supported between 1971 and 1988 but each table has the disclaimer 'Figures above relate to assistance approved by the Board – not payments. Cases withdrawn after approval are thus included', although HIDB had gone through the trouble of recalculating the figures in line with 1988 prices.⁷⁵ The accuracy of data collected on GVA and Gross Domestic Product (GDP) in the region has come under sustained criticism. Work by Dynamics of Rural Areas (DORA), and its Scottish partner, the Arkleton Centre at the University of Aberdeen, uncovered a high degree of error in public GDP and GVA data on the Highlands and Islands.⁷⁶ Similarly research into GDP figures for the region collected by the Office for National Statistics (ONS) for the period 1996–2001 also identified a considerable margin of error.⁷⁷ With these issues in mind, it is little wonder that the varying types of approaches, or varieties of capitalism in terms of older approaches (co-ordinated market economy) transforming into newer approaches (liberal market economy), have had very mixed results – decisions were clearly often made on the back of unreliable, and occasionally non-existent, evidence. The lack of consistent and reliable historical data is problematic for our understanding of the region's economic development: the lack of consistent and reliable data for the current period is even more problematic for our understanding of its potential growth prospects.

Conclusion

There is a demonstrable need for a comprehensive and longitudinal analysis of economic development in the Highlands and Islands, and the construction of robust datasets for use by both academics and current policy practitioners. With the foregoing factors in mind, it is somewhat understandable that there has been no comprehensive and systematic investigation of the Highland economy over the

period. Nevertheless, the problems with existing datasets should not preclude such a study and in fact historical re-evaluation would be invaluable to present policy formulations. Neglect of the economic history of the region, long overdue, has arisen for a number of reasons but has had a profound effect in contributing to the perception of the region as ‘exceptional’ and failing—an opinion based on falling population numbers rather than robust economic evidence. Whilst this lacuna has arisen, in part, because of the focus on crofting and land agitation within the historiography, it has also occurred because of a failure to explore this in economic terms, such as in the oversight of the Highlands as part of global supply chains, economic pull (as well as push) factors, and diversification in the region. Though perennial problems—such as housing shortages and the lack of sustained investment in transport infrastructure—undoubtedly have undermined economic development in the Highlands and Islands, its natural resources conversely have attracted other economic activity, much of which has been overshadowed or ignored in analyses of the region. A new historical investigation into the region would shed light on its economic evolution and provide a more robust evidence base on which to view both its past and its future.

Notes

1. Similarly in 1983, E. Condry claimed that ‘too much attention had been paid to the islands and Highlands’: E. Condry, *Scottish Ethnography* (Edinburgh, 1983), 133; R. H. Campbell, ‘Too much on the Highlands? A plea for change’, *Scottish Economic and Social History* 14 (1994), 58.
2. Ibid; R. H. Campbell, *Scotland Since 1707: The Rise of an Industrial Society* (Oxford, 1965); A. Slaven, *The Development of the West of Scotland, 1750–1960* (London, 1975); B. Lenman, *An Economic History of Modern Scotland 1660–1976* (Hamden, 1977).
3. R. H. Campbell, ‘The Highland Economy, 1750–1850’, *Scottish Journal of Political Economy* [*SJPE*] 6 (1959), 59.
4. C. M M. Macdonald, *Whaur Extremes Meet: Scotland’s Twentieth Century* (Edinburgh, 2009), 16–17.
5. Ibid, 177.
6. H. Garretson and R. Martin, ‘Rethinking (New) Economic Geography Models: Taking Geography and History More Seriously’, *Spatial Economic Analysis* 5 (2010), 137, 151.
7. V. Berridge and J. Stewart, ‘History: a social science neglected by other social sciences (and why it should not be)’, *Contemporary Social Science* 7 (2012), 39–54.
8. T. M. Devine, ‘The Transformation of Agriculture: Cultivation and Clearance’, in Thomas M. Devine, Clive H. Lee and George C. Peden (eds), *The Transformation of Scotland: The Economy Since 1700* (Edinburgh, 2005), 84.
9. Ibid, 85.
10. Ibid, 84–91.
11. Ibid, 90.
12. A. Perchard, *Aluminiumville: Government, Global Business and the Scottish Highlands* (Lancaster, 2012); P. L. Payne, *The Hydro: A Study of the Development of the Major Hydro-Electric Schemes undertaken by the North of Scotland Hydro-Electric Board* (Aberdeen, 1988).

13. While relatively small, there were also two main contained coalfields, with coal mining continuing at Machrihanish in Argyll and Brora in Sutherland until 1967 and 1974 respectively: Campbell, *Scotland since 1707*, 64–5; Lenman, *An Economic History of Modern Scotland*, 98–9; J. Butt, *The Industrial Archaeology of Scotland* (Newton Abbot, 1967), 104–15.
14. This is to distinguish it from the earlier phase of small-scale aluminium production in England. See: A. Perchard, 'A "Micawber-like" undertaking? Innovation, Intrigue, Entrepreneurship, and "Dynamic Capabilities" in the Early British Aluminium Industry', *Cahiers d'histoire de l'aluminium* 46–7 (2011), 142–65; Perchard, here and *Aluminiumville*.
15. Discussion of these aspects is to be found elsewhere, see for example; Ibid; N. Kirk, *Custom and Conflict in the 'Land of the Gael': Ballachulish, 1900–1910* (Trowbridge, 2007); J. R. Payne, 'Land-use and landscape: Hydro-electricity and landscape protection in the Highlands of Scotland, 1919–1980', unpublished PhD thesis, University of St Andrews, 2008.
16. J. Tomlinson, *The Politics of Decline: Understanding Post-war Britain* (London, 2000), 6.
17. D. J. Savoie, *Visiting Grandchildren: Economic Development in the Maritimes* (Toronto, 2006), 13.
18. Parliamentary Papers [PP] 1914, 7564, *Report to the Board of Agriculture for Scotland on Home Industries in the Highlands and Islands*, 143.
19. Quoted in J. Hunter, *Last of the Free: A Millenial History of the Highlands and Islands of Scotland* (Edinburgh, 2000), 350.
20. D. I. Mackay and N. Buxton, 'The North of Scotland Economy—A Case for Redevelopment?', *SJPE* XII (1965), 23.
21. A. Hetherington (ed.) *Highlands and Islands: a generation of progress, 1965–1990* (Aberdeen, 1990), xv.
22. D. W. Parsons, *The Political Economy of British Regional Policy* (London, 1988), 10.
23. Macdonald, *Whaur extremes meet*, 180.
24. Campbell, *Scotland since 1707*, 168–76, 321; A. D. Chandler Jnr, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge Mass., 1990).
25. T. M. Devine, 'The colonial trades and industrial development, c.1700–1815', *Economic History Review* 29 (1976), 1–13; T. M. Devine, *The Tobacco Lords* (Edinburgh, 1990). For insightful new work on this topic, see: S. M. Mullen, 'A Glasgow West India Merchant House and the Imperial Dividend for Scotland, 1766–1866,' MSc dissertation, University of Strathclyde, 2011.
26. Campbell, *Scotland since 1707*, 169–70.
27. Ibid, 215.
28. Campbell, 'The Highland Economy', 59.
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30. J. M. Keynes, *The General Theory of Employment, Interest and Money* (London, 1936), 383–4.
31. E. A. Cameron, 'The Scottish Highlands: From Congested District to Objective One', in T. M. Devine and R. J. Finlay (eds), *Scotland in the 20th Century* (Edinburgh, 1996), 153–69; I. Levitt, '“Taking a Gamble”: The Scottish Office, Whitehall and the Highlands and

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34. Michael Russell MSP, Minister for the Environment, Statement to the Scottish Parliament, 4 December 2008.
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36. Cameron, ‘The Scottish Highlands’, 153–69; MacKenzie, ‘Chucking Buns Across the Fence’; Birnie, ‘The Scottish Office and the Highland Problem’.
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61. G. O'Hara, *From Dreams to Disillusionment: Economic and Social Planning in 1960s Britain* (Basingstoke, 2006); N.G. MacKenzie, 'Chuckling Buns across the Fence?' Government-Sponsored Industry Development in the Scottish Highlands, 1945–1982, *Business and Economic History Online* 4 (2006).
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