



EXCHANGING **IDEAS** **SEMINAR** SERIES 2017

Economic strategy, finance and
infrastructure: how ambitious
should Welsh policy be?

7 March 2017



National Assembly for Wales
Research Service



THE LEARNED SOCIETY OF WALES
CYMDEITHAS DDYSGEDIG CYMRU



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

The Learned Society of Wales.
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EXCHANGING **IDEAS** **SEMINAR** SERIES 2017

The Assembly's Research Service has joined forces with the Learned Society of Wales to develop a new seminar series.

The seminars will be an opportunity for Assembly Members to exchange and discuss new ideas with leading academic experts.

The first seminar will explore how ambitious in its economic strategy, is it responsible for the Welsh Government to be?

In particular it will examine this in the context of potential infrastructure investment and proposals for a new Welsh investment bank.

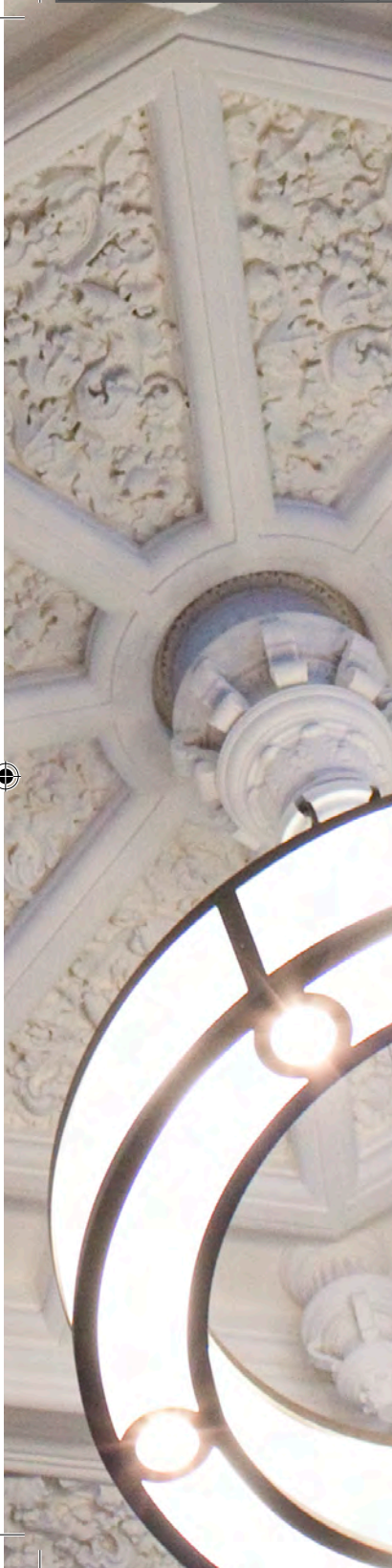
It will address the three key questions:

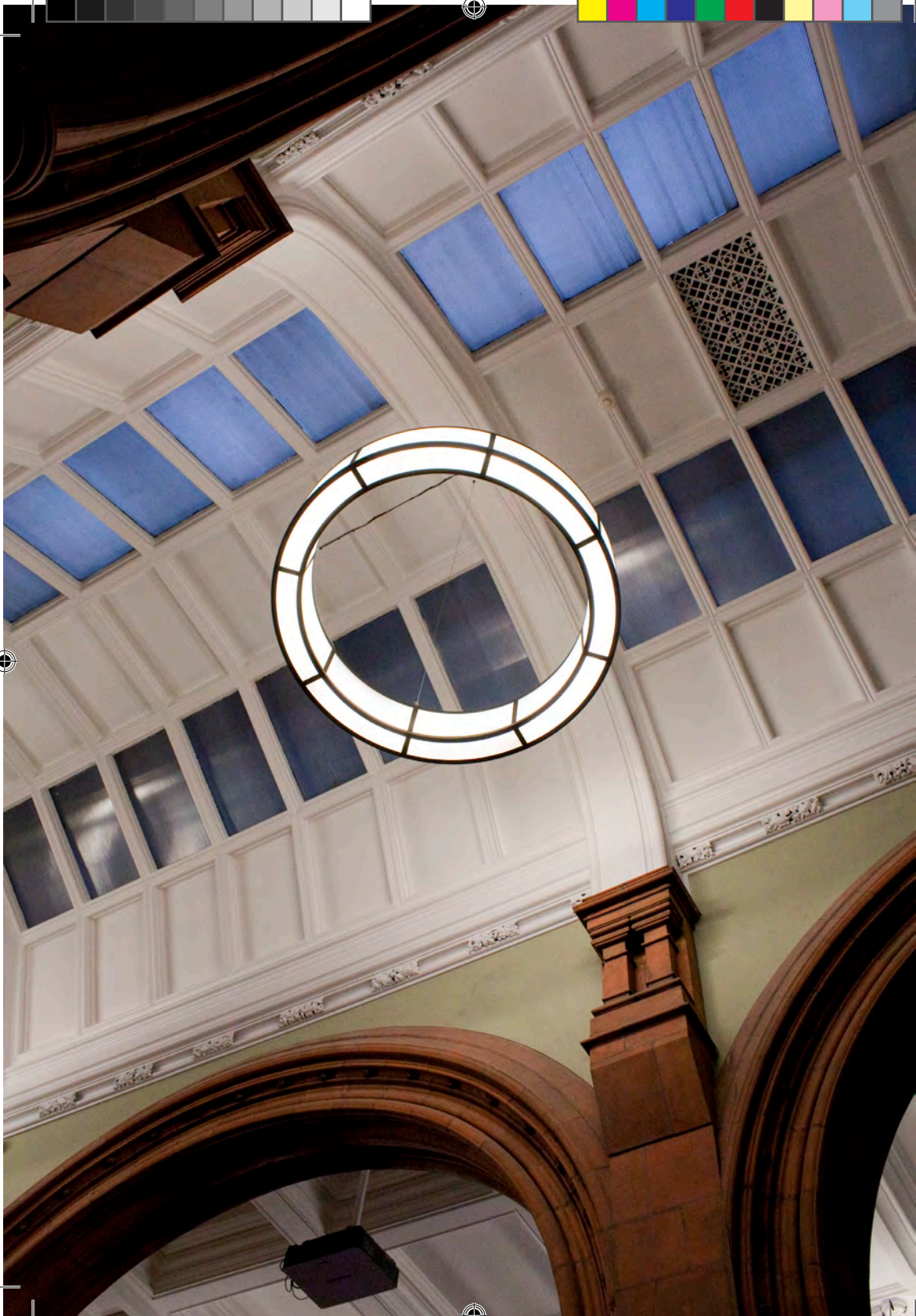
- **What should economic policy be trying to achieve?**
- **Is it realistic to target faster growth of GDP?**
- **How do we ensure some people or communities do not get left far behind?**





SPEAKER PROFILES





SPEAKER **PROFILES**



Professor Gerald Holtham

Cardiff Metropolitan University

Professor Gerald Holtham is Managing Partner of Cadwyn Capital LLP, and the Sir Julian Hodge Visiting Professor of Regional Economy, Cardiff Metropolitan University.

From 2000 to 2004, he was the Chief Investment Officer at Morley Fund Management as well as being a Global Strategist at Norwich Union Investment Management and a Managing Director at Lehman Brothers, Europe. From 2004, Gerald has been an Independent Non-Executive Director at BlackRock Greater Europe Investment Trust.

Born in Aberdare, he has also been a tutor at Magdalen College, Oxford, a visiting fellow at the Brookings Institution in Washington DC, head of the general economics division at the OECD and, from 1994-98, Director of the Institute for Public Policy Research. He was Chair of the Welsh Government's Commission reviewing the Barnett Formula and is an adviser to the Welsh Finance Minister on strategic infrastructure investment.

His previous roles include Chief Investment Officer of Morley Fund Management, Director of the IPPR and Head of the OECD's General Economics Division. His academic appointments include Fellow of Magdalen College, Oxford, and Visiting Fellow of the Brookings Institution, Washington DC. He is a trustee of the IWA, and a Fellow of the Learned Society of Wales.

SPEAKER **PROFILES**



Professor Julie Froud
Manchester Business School

Julie Froud is a professor at Alliance Manchester Business School where she teaches and researches. Her recent research covers 'follow the money' studies of activities like adult care, railways, food supply and textiles and are intended to help refocus industrial policy to reflect the significance and specific character of mundane and foundational sectors.

Julie works as part of the (former) CRESC group that has produced many public interest reports and papers including one in 2015 for the FSB called 'What Wales Could Be'. This group is now part of a European foundational economy network (**www.foundationaleconomy.com**) which is drawing on different academic disciplines and local contexts to develop the foundational economy as a practical project as much as an academic one.

SPEAKER **PROFILES**



Dr Edward Jones
Bangor University

Dr Edward Jones is a Lecturer in Economics at Bangor Business School and specialises in quantitative modelling and financial economics. He obtained his BSc (Mathematics and Economics), MA (Banking and Finance), and PhD (Economics) from Bangor University.

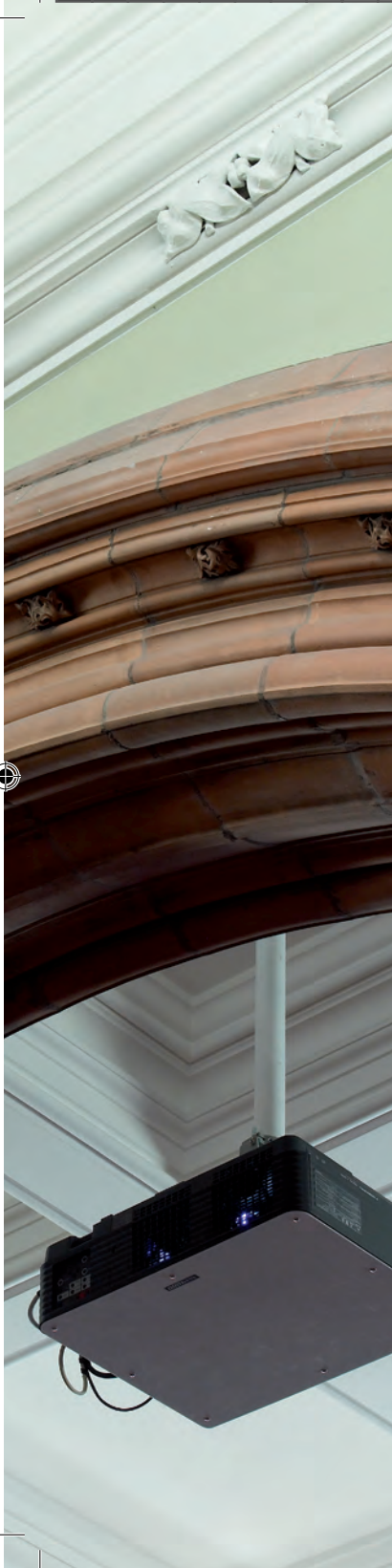
Edward is also a Fellow member of the Royal Statistical Society and a member of the Chartered Management Institute. Prior to this appointment, Edward worked in the banking industry as a senior risk manager for financial and economic modelling. The financial models developed by Edward, along with technical documentations he wrote, were used to meet the ongoing regulatory requirements of the Central Bank of Ireland (CBOI) and Financial Service Authority (FSA), and the European Banking Authority (EBA) EU-wide stress test. He has also been involved in industry wide risk management initiatives, including assessing the capital impact of the FSA's slotting methodology for commercial income-producing assets and the CBOI's impairment provisioning and disclosure guidelines. Post-2008 financial crisis, Edward was actively involved in the restructuring of an Irish banking institution and the transfer of loans to the national 'bad bank'.

Edward is a fluent Welsh speaker and his appointment at Bangor Business School is partially funded by the Coleg Cymraeg Cenedlaethol. He is a regular contributor to national TV and radio programs, providing expert opinion on economic and finance issues.





SPEAKER STATEMENTS





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Professor Gerald Holtham
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It is a truism that policy objectives should be achievable. Attempting the impossible is rarely sensible. Most people would agree though, that objectives should be ambitious so that we do not settle for less than we could achieve.

The original target of the new Welsh Government of getting Welsh GVA per head to 90 per cent of the UK average (from its level in the 70s) and that within 10 years is now seen as absurdly overreaching.

Yet we risk the opposite error if we have no targets at all. Moreover it is perfectly true that no single statistic or even handful of statistics will capture every aspect of personal and social well-being.

Nonetheless just as any good business has Key Performance Indicators, I would argue that public policy needs to set itself some measurable targets, while recognizing their limitations. Those should be so-called 'stretch' targets and their specification is a matter of political choice.

SPEAKER **STATEMENTS**



Professor Julie Froud
Manchester Business School

A foundational economy approach to economic policy focuses on social as much as physical infrastructure as important drivers of community and individual welfare. Rather than an explicit focus on high tech, advanced manufacturing or other industries, this approach recognises the importance of everyday services and products.

Accordingly, in place of GVA, more direct measures could include availability of welfare-critical products and services relating to good quality housing, care, mobility, food, utility services and so on. These products and services are not only important for everyday life but they provide significant employment.

How then can economic policy be oriented towards nurturing and developing the foundational economy in ways that recognise the inter-dependences between the nature and quality of work, the organisation of activities and access to welfare-enhancing services.

SPEAKER **STATEMENTS**



Dr Edward Jones
Bangor University

Theoretically, at least, a prime characteristic of financial markets over past three decades is that of their accommodation of extreme events. The practical challenge is that events which, in earlier times, were considered as rare outliers are now occurring much more frequently. This leads to the assumption that finance is becoming more fragile and that we cannot rely on market forces alone to address economic structural difficulties and the inefficiencies of allocating financial resources.

The 2008-09 crisis has brought development banks back into the spotlight, especial in light of the failure in governance of private financial institutions. However, such institutions should not be viewed as a solution to a financial crisis but be an integrated part of the economic system throughout the cycle.

Development banks are part of an economic policy toolkit for overcoming cyclical and structural difficulties in economies, complementing financial systems by improving their functioning and bolstering economic resilience.

Despite their importance, a risk lies with potentially 'overburdening' development banks and setting expectations too high for what they can achieve.

For Wales, the challenge for the newly established Welsh Investment Bank will be to strike the right balance between competition and promotion. With correct and clear governance, the development bank in Wales has the potential to address market failures within the country and support well-defined national and regional economic policies to target faster growth of GDP.



