The anatomy of economic development and governance in England

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Outline

• The argument

• Thorny issues

• Conclusions

• Towards a ‘new spatial political economy’…
The argument...

• Lost sight that forms of government and governance are means to an end – economic and social development of territories

• Historical pendulum of economic development and its governance in England swinging between the regional and the local...

• Still growing consensus – “centralised system not working”

• But evidence mixed on decentralisation and thorny issues

• Moment to move towards a new ‘spatial political economy’?
Spatial disparities...
Regional cumulative percentage point differential growth gaps of GVA (2011 prices), 1971-2013

Source of data: Cambridge Econometrics, ONS
Spatial imbalance in the UK and other major European countries compared, indexed standard deviation of regional shares of national GVA, 1995-2013

Note: European data refer to NUTS1 regions; USA data refer to States. Data for France, Spain, Italy and Germany are not available beyond 2012.

Source of data: Cambridge Econometrics (European Countries); Bureau of Economic Analysis (USA)
National growth and spatial agglomeration in a (two-region) NEG model

+ve: Increasing returns and spillover effects dominate

-ve: congestion costs and market crowding dominate

Constant change in economic development institutions and policies...
Regular changes in initiatives for local growth

Source: Adapted from NAO (2014: 17) Funding and Structures for Local Economic Growth, NAO: London.
Pendulum swings in economic development governance in England

≈1940s-1970s…
‘One nation’ Regionalisms

≈1979-1994
Thatcher-Major Localism

1997-2010
Blair-Brown Regionalism

2010…
Cameron-Osborne Localism

Local

Regional

Spatial Scale

Source: Author’s research
Post-crisis austerity – funding and institutional change...
Government spending on RDAs and new local growth funds and structures (£bn), 2005/06-2014/15*

* Payments by departments. Spending by RDAs from Annual Reports and Accounts and excludes closure costs. Data for 2013/14 onwards is budget data. Earlier data is outturn. Figures have been rounded.

Source: Adapted from NAO (2014: 20) Funding and Structures for Local Economic Growth, NAO: London.
Estimated direct staff by LEP area, 2013

Change in Local Authority spending power and Government funding, 2010/11-2015/16

Note

1. Spending power includes both the core funding local authorities receive from central government and the council tax income they raise themselves.

'Rebalancing' and the 'northern powerhouse'…
“Rebalancing our economy…”

“…we will govern as a party of one nation, one United Kingdom. That means ensuring this recovery reaches all parts of our country, from north to south, from east to west. And indeed it means rebalancing our economy - building that northern powerhouse. It means giving everyone in our country a chance - so no matter where you're from, you have the opportunity to make the most of your life…”

ANALYSIS

Will McLoughlin’s rail investment pause kill Osborne’s Northern Powerhouse dream?

Lawrie Quinn
01 July 2015

Last week’s announcement by Transport Secretary Patrick McLoughlin to halt and review large parts of Network Rail’s electrification programme has shocked and disappointed the rail industry. But could it turn out to be a wise move, asks Lawrie Quinn?

On the 15th June Railways Minister, Claire Perry reminded an optimistic Railway Engineers Forum (REF) that less than three weeks earlier Chancellor George Osborne had travelled to Manchester to give his first speech of his second term.

At the heart of this journey, was promotion of his pet northern powerhouse project, she reminded the Forum, reiterating that the Chancellor’s ambition was to close the decades-old economic gap between north and south by, among other things, making a record investment in northern transport projects.

*"It is a missed opportunity likely to set back confidence in the rail sector,"* says one observer.

At the REF meeting Perry called for partnership with the UK’s rail freight companies to ensure private investment in freight locomotives wagons complemented the £38bn national infrastructure investment programme for the passenger network focused on the南部 powerhouse.
Deal-making as public policy...
City Deal Areas

- Liverpool Mayoral Deal
- Barnsley
- No Deal
- Wave 1
- Wave 2
- Wave 3
- LA boundaries

Source: Colin Wymer, CURDS
City Deals – Population

32,820,502, (52%)

29,930,398, (48%)

City Deals – GVA

861,115, (58%)  
631,348, (42%)

City Deal (New) Funding (£ Per Capita)

Source: Authors’ research based on HMG and Cabinet Office announcements
Decentralisation geographies and more ‘devolution deals’...
Fiscal decentralisation and equity...
### Tax revenues attributable to local and regional government as % of total tax revenues

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Source: Adapted from OECD (2015) tax policy analysis
Capital value of infrastructure projects in London – (c. £36bn/c.8m population = £4,500 per capita)
Capital value of regional infrastructure projects and programmes in rest of England – (c. £53bn/c.46m population = £1,152 per capita)
Conclusions…

• Historical pendulum of economic development and its governance in England…post-2010 latest swing…

• Are the means achieving their ends…reducing social and spatial inequalities?…enhancing prospects for more equitable and sustainable development/growth?

• Limited evaluation of new landscape since 2010…

• Another episode of muddling through in England characteristic of British political class and civil service...

• But does the decentralisation consensus mean we’re on the cusp of an irregular swing of the pendulum? Is this a moment for further genuine and meaningful decentralisation?...
Towards a ‘new spatial political economy’

- Institutionalising spatial economic balance as a policy objective
- Decentralising:
  ...governance in England
  ...fiscal powers
  ...the financial system
  ...science and innovation
Acknowledgements

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