

Rebalancing the economy? The politics of local and regional development in England

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Introduction

States and the governance of uneven development

New Labour's 'New Regional Policy', 1997-2010

The Conservative-Liberal Democrat coalition government, 2010-

Dismantling New Labour's 'New Regional Policy'

The Coalition's emergent approach: 'Rebalancing', 'Decentralisation' and 'Localism'

Reflections

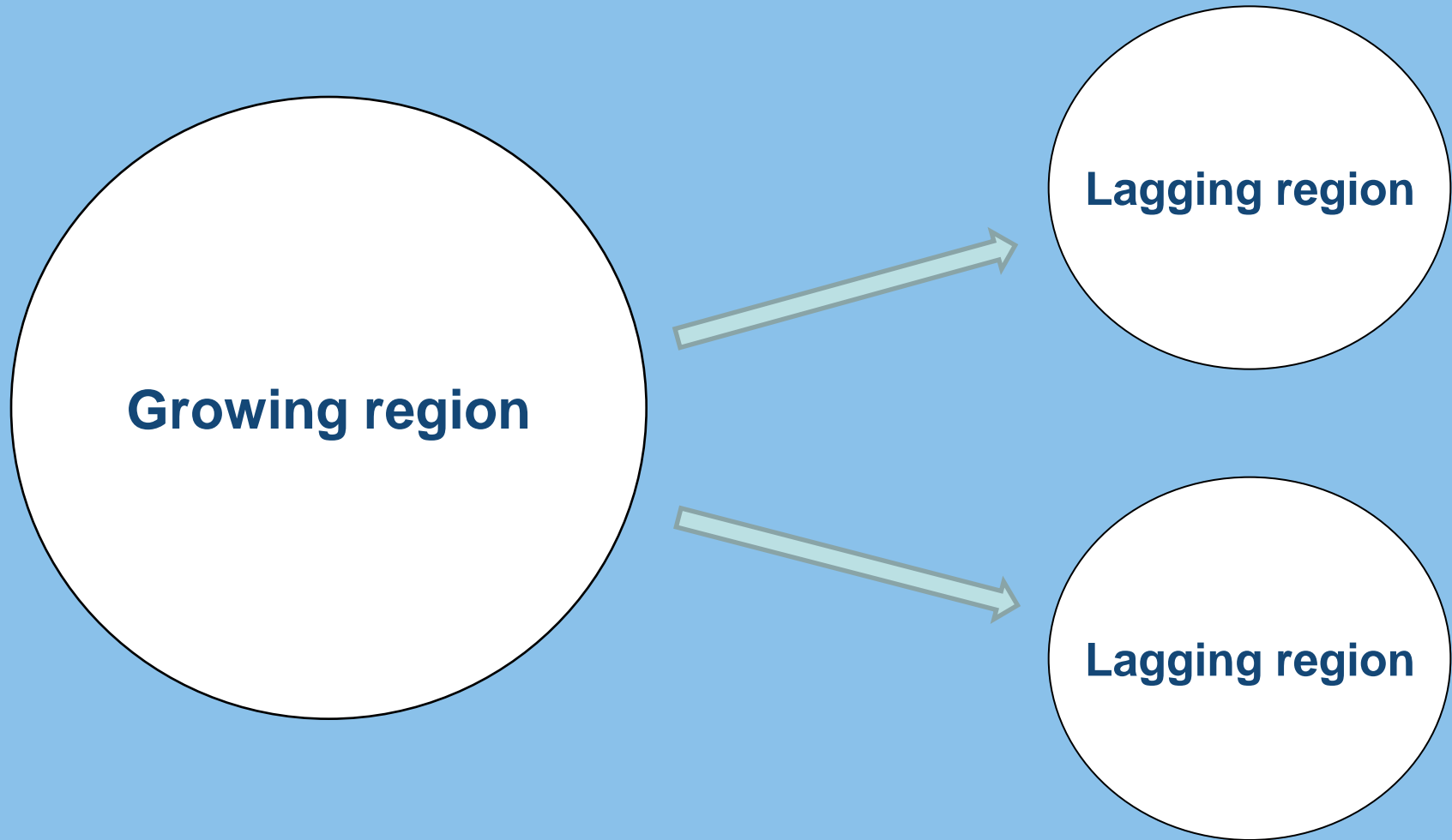
The 'qualitative state'

“‘State’ and ‘market’...are not hermetically sealed and mutually exclusive categories, but are co-constituted and inextricably related. Contrary to the conventional rendering of the state in neoclassical economics as an external, intervening, and interfering force, the state must be seen as inescapably *immanent in* the economy, in a variety of ways” (Peck 2000: 71)

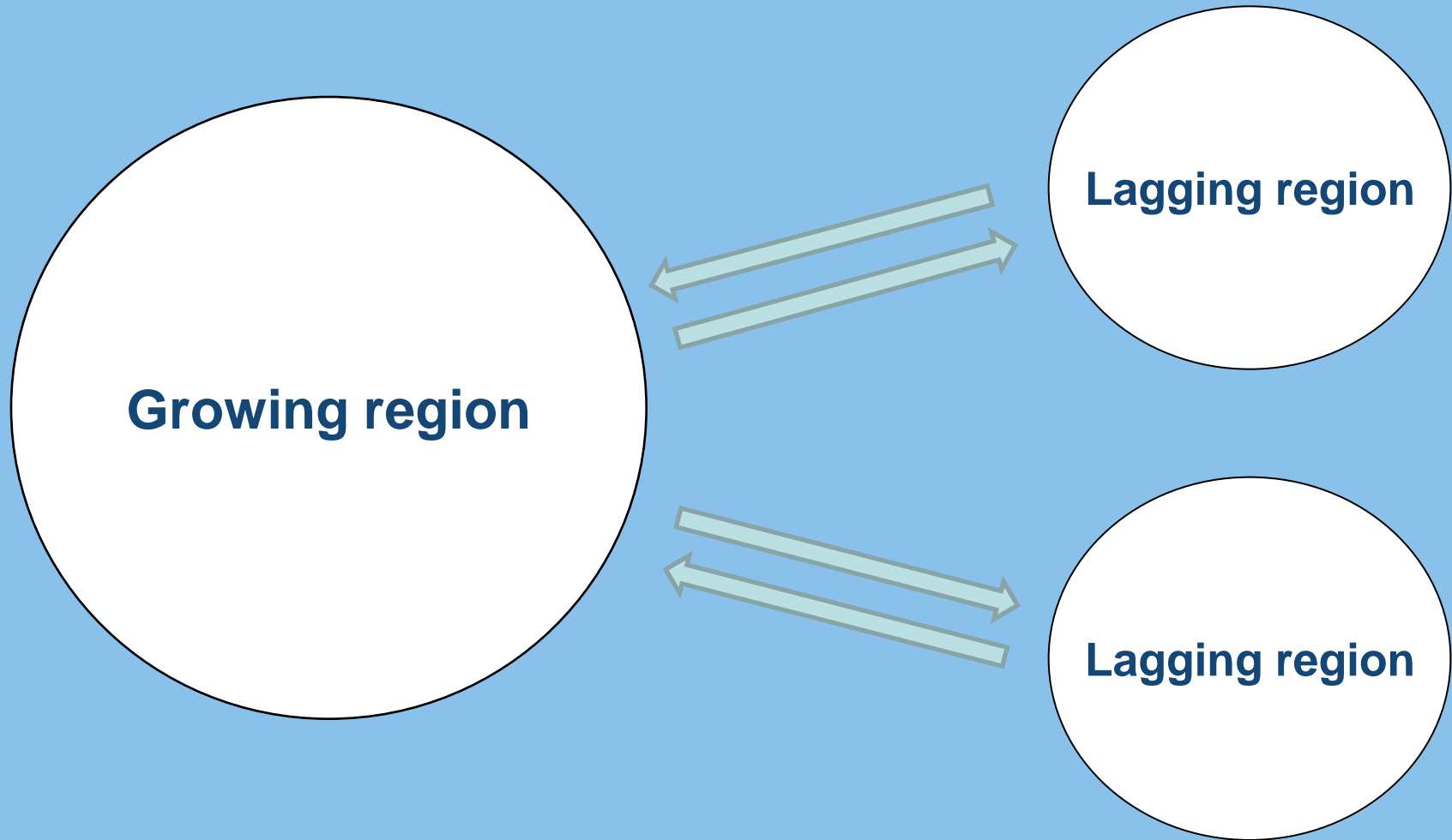
Spatial Economic Policy I: Redistributive, Free-Market and Growth-oriented			
Characteristic	Redistributive	Free-market	Growth-oriented
Economic theory	Keynesian growth theory	Neo-classical (exogenous) growth theory	New (endogenous) growth theory
Causal explanation of spatial disparities	Low aggregate demand and investment, structural weaknesses	Inherited factor endowments and quality, inflexibility and immobility in factor markets	Constructed factor endowments and increasing returns generating productivity and innovation differentials
Adjustment process	Spatial disparities persist through cumulative causation, multiplier, spread and backwash effects	Factor market adjustment returns to equilibrium and convergence reduces spatial disparities	Agglomeration and spill-over effects, national growth and spatial disparity trade-off
Policy rationales	Redistribution for economic efficiency and spatial and social equity	Improving factor market efficiency, flexibility and mobility	Market failures or equity, Enhancing competitiveness

Spatial Economic Policy II: Redistributive, Free-Market and Growth-oriented			
Characteristic	Redistributive	Free-market	Growth-oriented
Policy instruments	Automatic capital and labour subsidies, industrial development controls, infrastructure investment	Regional Selective Assistance, enterprise grants for SMEs and new start-ups	Innovation grants, Venture capital funds
Institutional organisation	Centralised, national	Centralised, national	Decentralised, sub-national, regional, city(-regional) and/or local
Geographical focus and scope	Regional	Regional, local and urban	City(-regional)
Political-economic project	Social Democratic	New Right, Neo-liberal	Third Way, Neo-liberal
Language	Regional inequalities, redistribution	Regional and local divides, trickle-down	Spatial disparities, performance gaps spill-overs

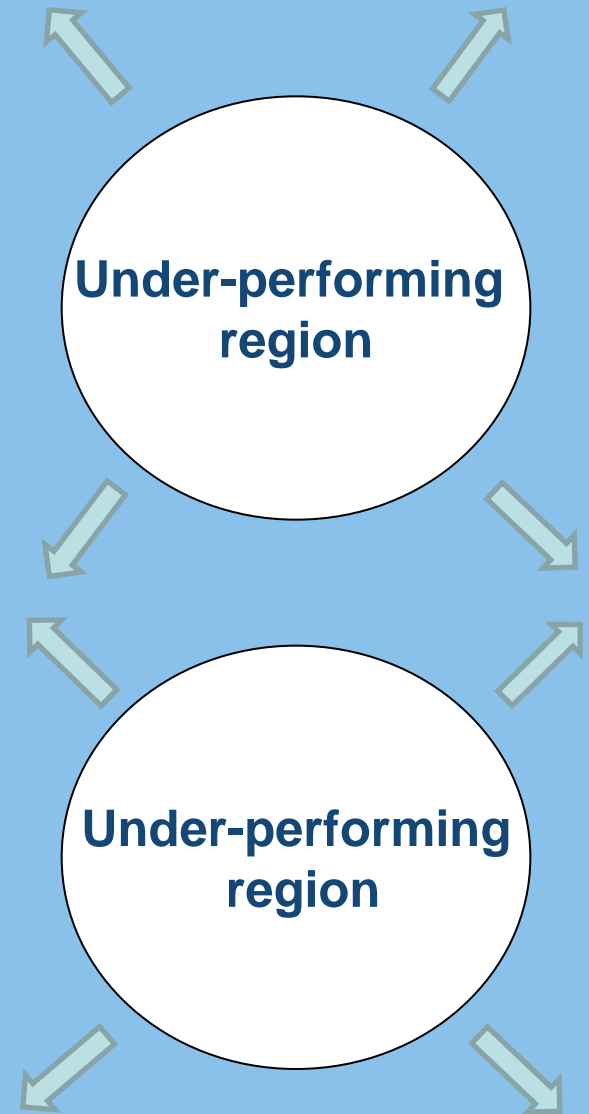
Keynesian policy



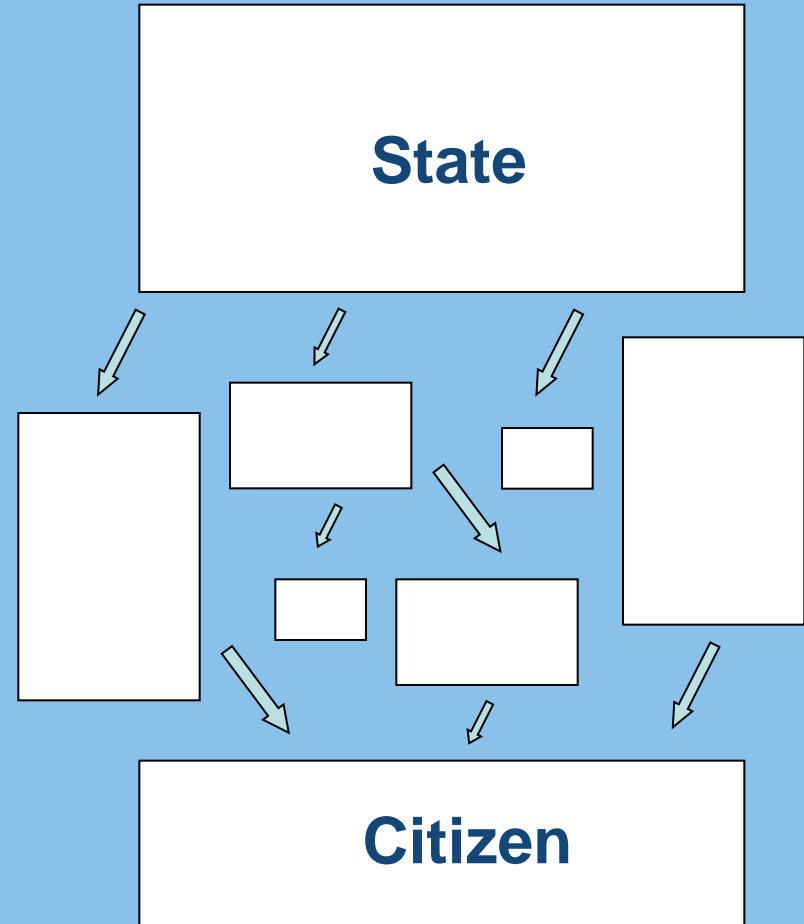
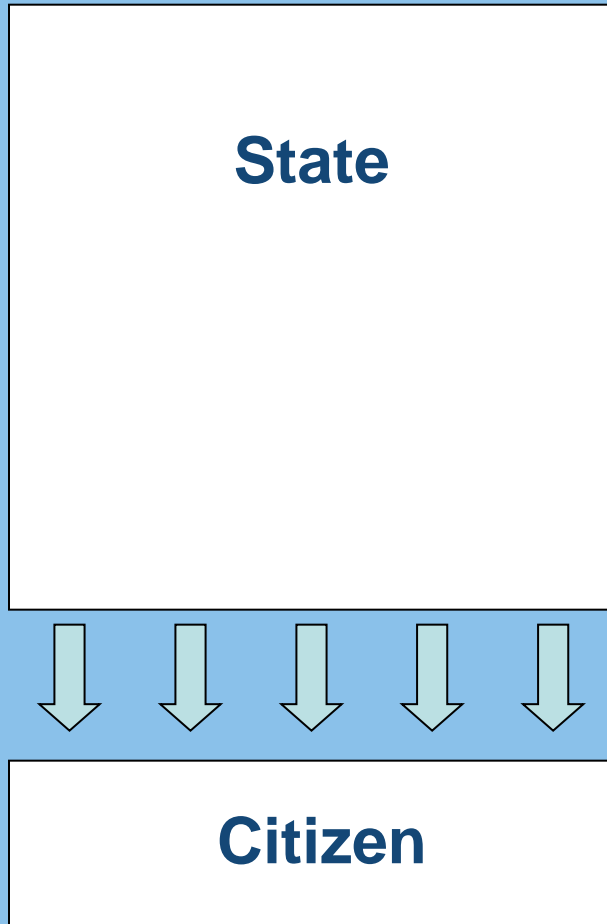
Neo-classical policy



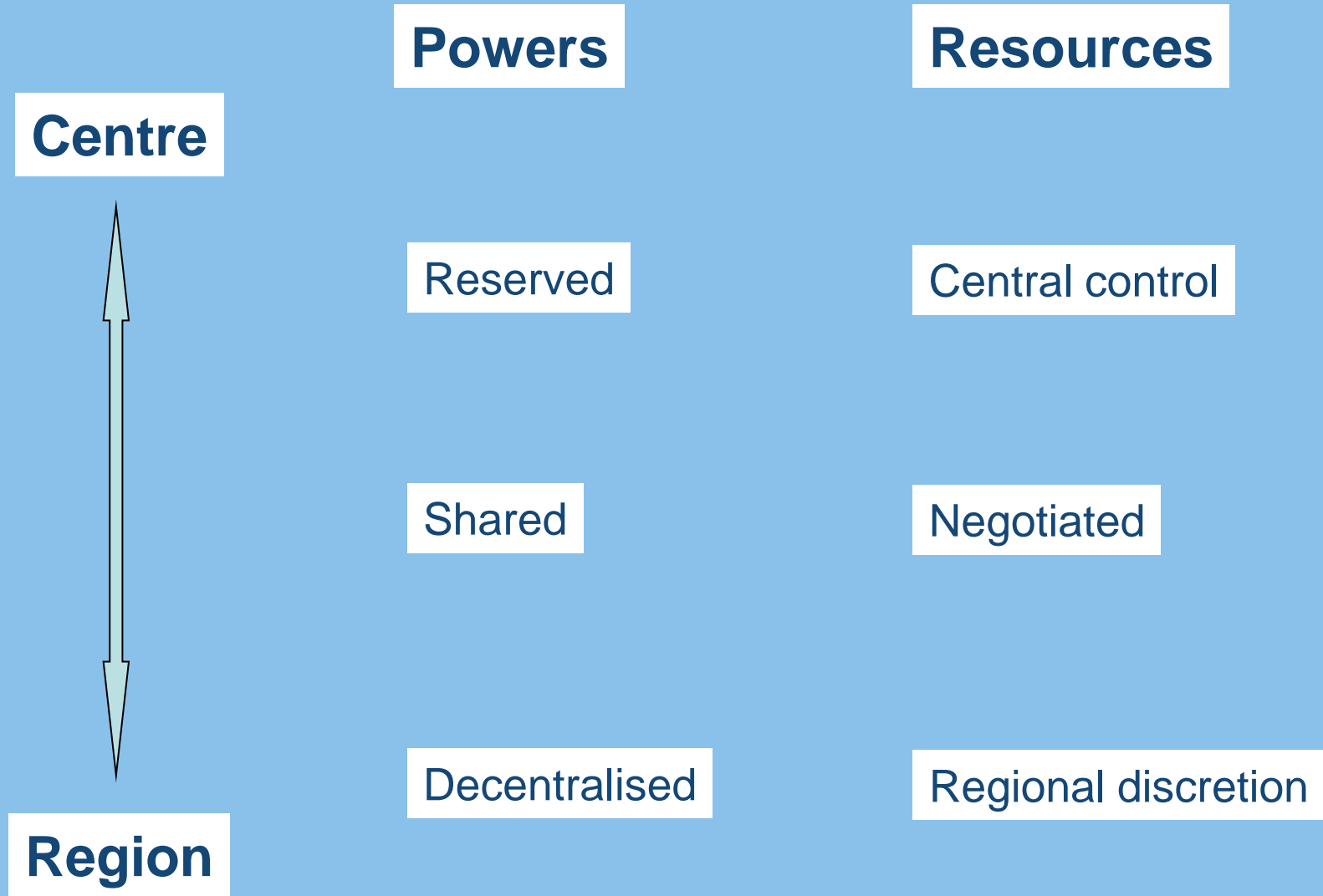
Growth-oriented policy



Institutional arrangements: Direct and/or inter-mediate



Decentralisation



Decentralisation

Potential Benefits	Potential Costs
Devolved policies better reflect territorial preferences (Allocative efficiencies)	Additional administrative costs of additional layers of government and/or governance institutions
Improved knowledge of territorial economic potential (Productive efficiencies)	Loss of scale economies in the policy formulation and delivery Increased 'rent-seeking' by interest groups better able to influence sub-national territorial rather than national institutions
Democratic accountability improves efficiency of policy formulation and implementation, fosters innovation	Weaker disciplines of monitoring and evaluation (national finance ministries as tougher drivers of efficiency than territorial institutions)
Fiscal autonomy providing hard budget constraints and (where applicable) tax-varying power allows marginal changes to taxation and spending	Budget constraints increasingly tied to territorial fiscal capacity Weak incentives due to lack of mechanism linking public spending with tax revenues raised within sub-national territories
Lower coordination and compliance costs vis-à-vis rest of the nation	Reduced coordination with rest of the nation with possible negative spill-over effects both on and from sub-national territories

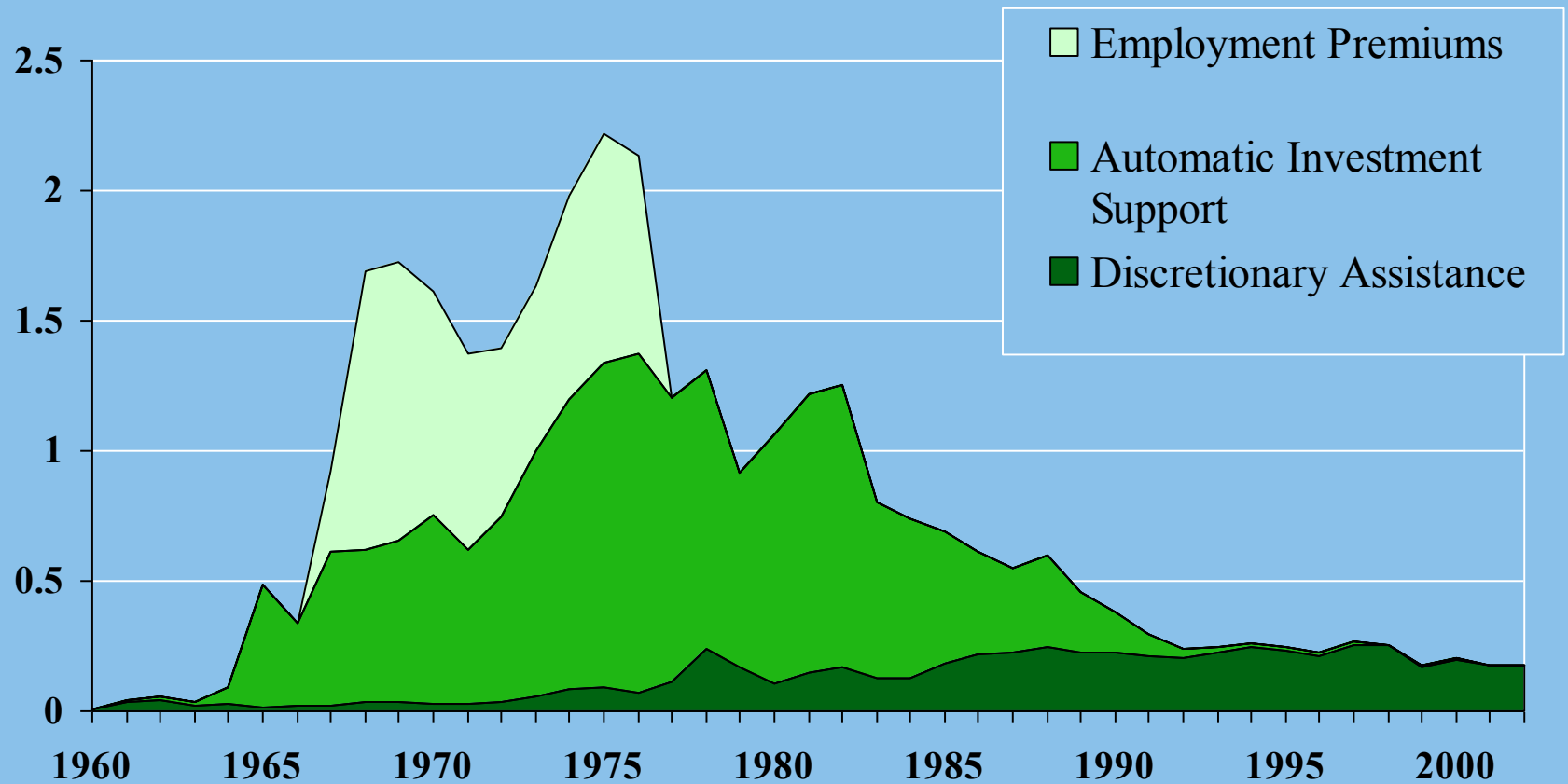
Regional GDP per capita levels, England Standard Statistical Regions, 1871–2007

Standard Statistical Regions (UK = 100)	1871	1911	1981	2001	2007
London	141.9	165.6	126	133.9	164.9
Rest of SE	89.5	86.3	108.4	119.0	101.3
East Anglia	97.0	76.8	94.7	109.1	91.9
South West	88.6	85.7	91.8	88.4	89.3
East Midlands	106.2	90.6	91.9	91.0	86.2
West Midlands	84.8	78.4	95.6	89.7	83.4
North West	106.0	97.2	89.1	89.3	83.9
North	94.1	89.5	92.9	85.5	75.2
Yorkshire & Humber	91.3	76.2	90.2	75.6	81.6
Coefficient of variance (%)	10.8	15.8	11.4	16.9	17.7

Source: Crafts (2005a) and BIS calculations of ONS Regional Accounts

Notes: 1. Estimates of regional GVA are on a workplace basis, where the income of commuters is allocated to their place of work. 2. Following Crafts (2005a) London and the Rest of the South East were combined into one observation for the purposes of calculating the coefficient of variance. 3. The Coefficient of Variation is a measure of dispersion calculated as: Standard Deviation/Mean.

Expenditure on Regional Industrial Assistance, 1960-2002



Source: Wren, C. (2005) "Regional grants: Are they worth it?", *Fiscal Studies*, 26, 2, 245-75. (Figures are for actual grant payments at constant prices for Great Britain).

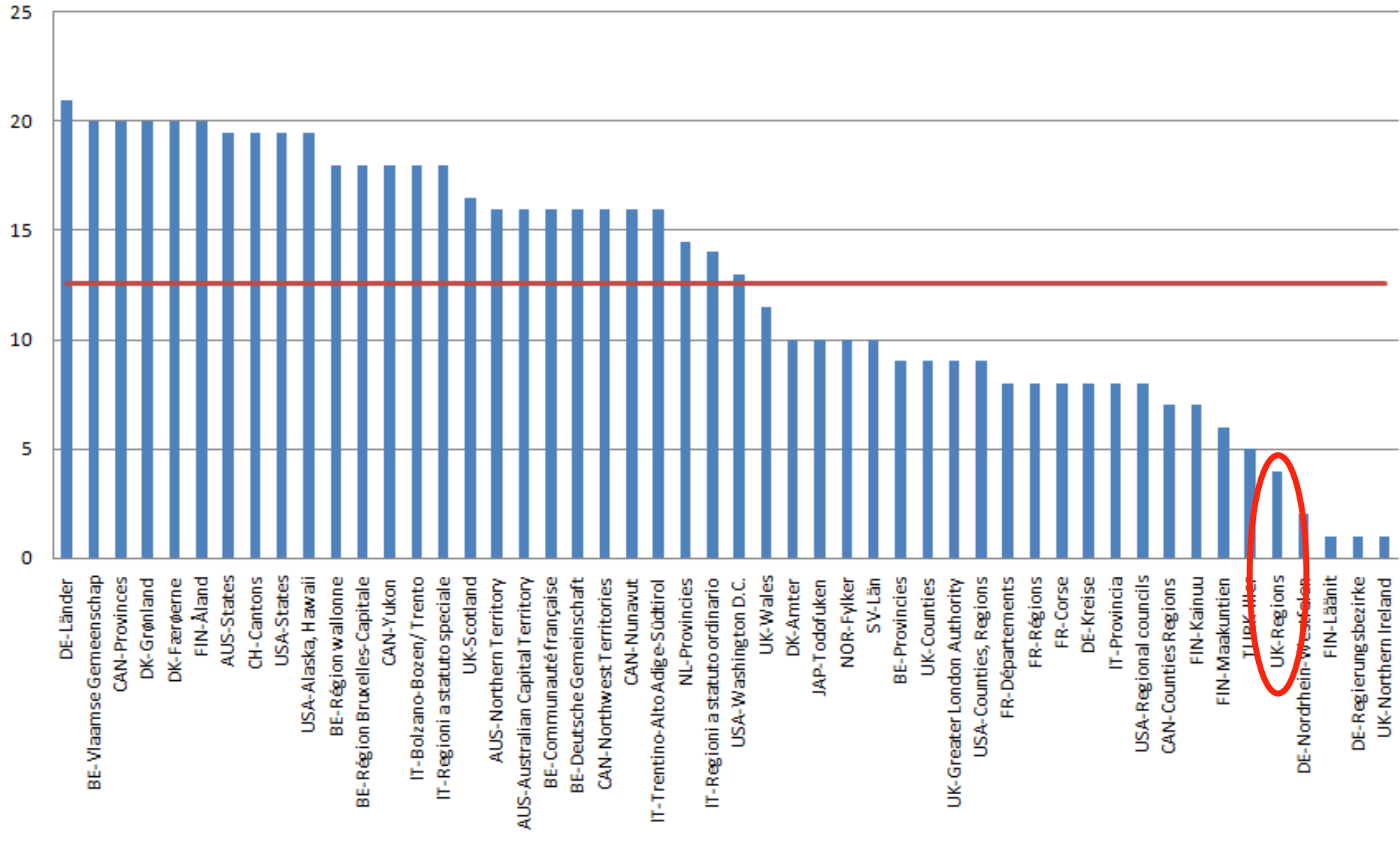
Standard Regions (from 1974) and Government Office Regions (from 1994) in England*



*Merseyside later became part of the North West region

Source: Hogwood (1996: 13, 20)

Regional Authority index (year 2006)

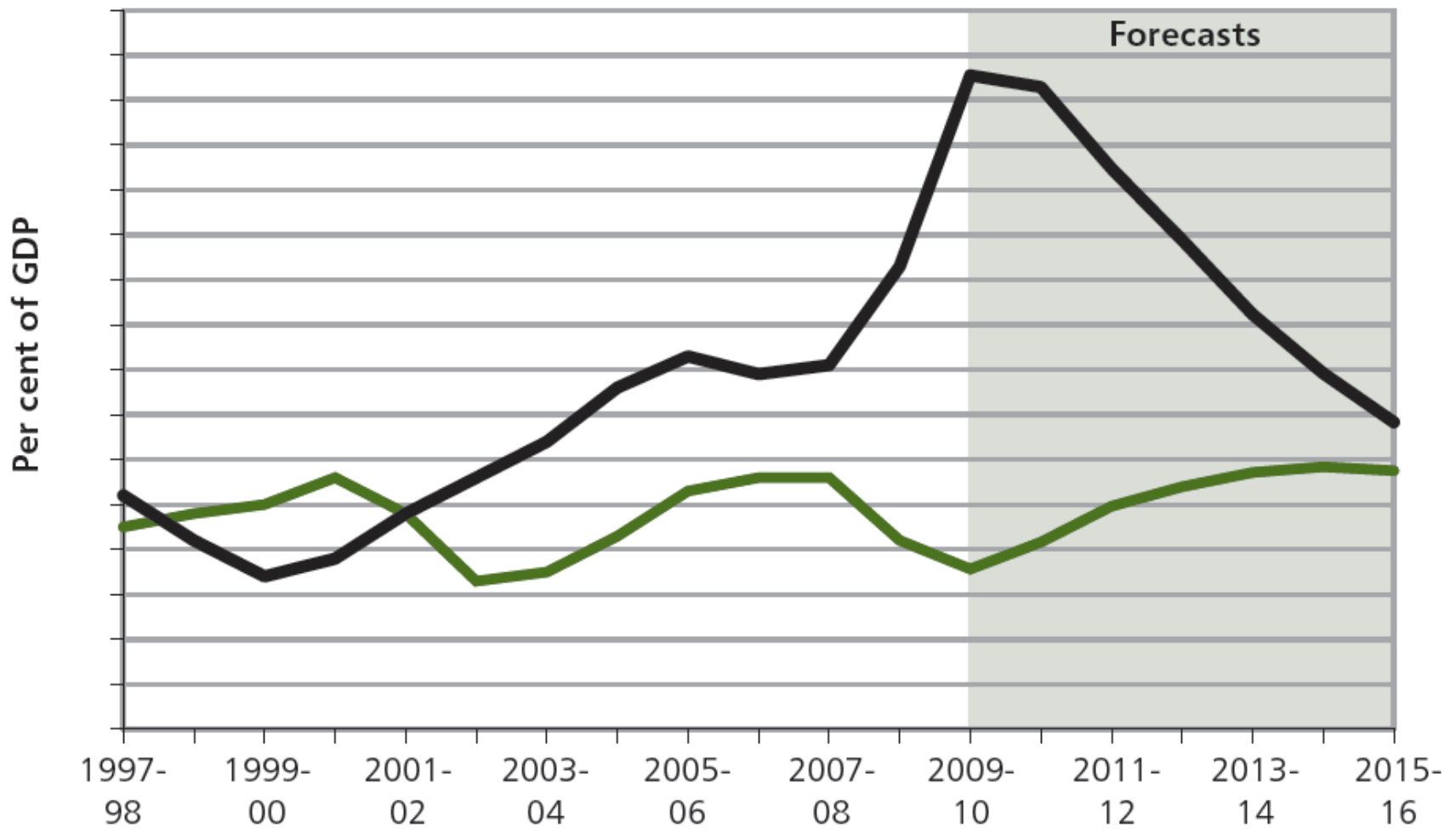


Source: Authors' elaboration of data in Hooghe, L., G. Marks *et al.* (2008). "Patterns of Regional Authority", *Regional and Federal Studies*, 18, 2-3, 167-181.



“...we both want to build a new economy from the rubble of the old. We will support sustainable growth and enterprise, balanced across all regions and all industries”

(David Cameron, Prime Minister, and Nick Clegg, Deputy Prime Minister, Foreword, in Cabinet Office (2010: 7) The Coalition: Our Programme for Government, Cabinet Office: London).



— Public Sector Current Receipts (Budget)
— Total Managed Expenditure (Budget)



“If you want to rebuild a fragile national economy you don’t strangle business with red tape and let bloated regional quangos make all the decisions. Urgent action is needed to rebuild and rebalance local economies...The solution needs to be local...By giving up central control we will put democratic accountability back into the local economy making it responsive to the needs of local business and local people”

(Eric Pickles quoted in BIS Press Notice, 29 June 2010, BIS: London).

Local growth: realising every place's potential

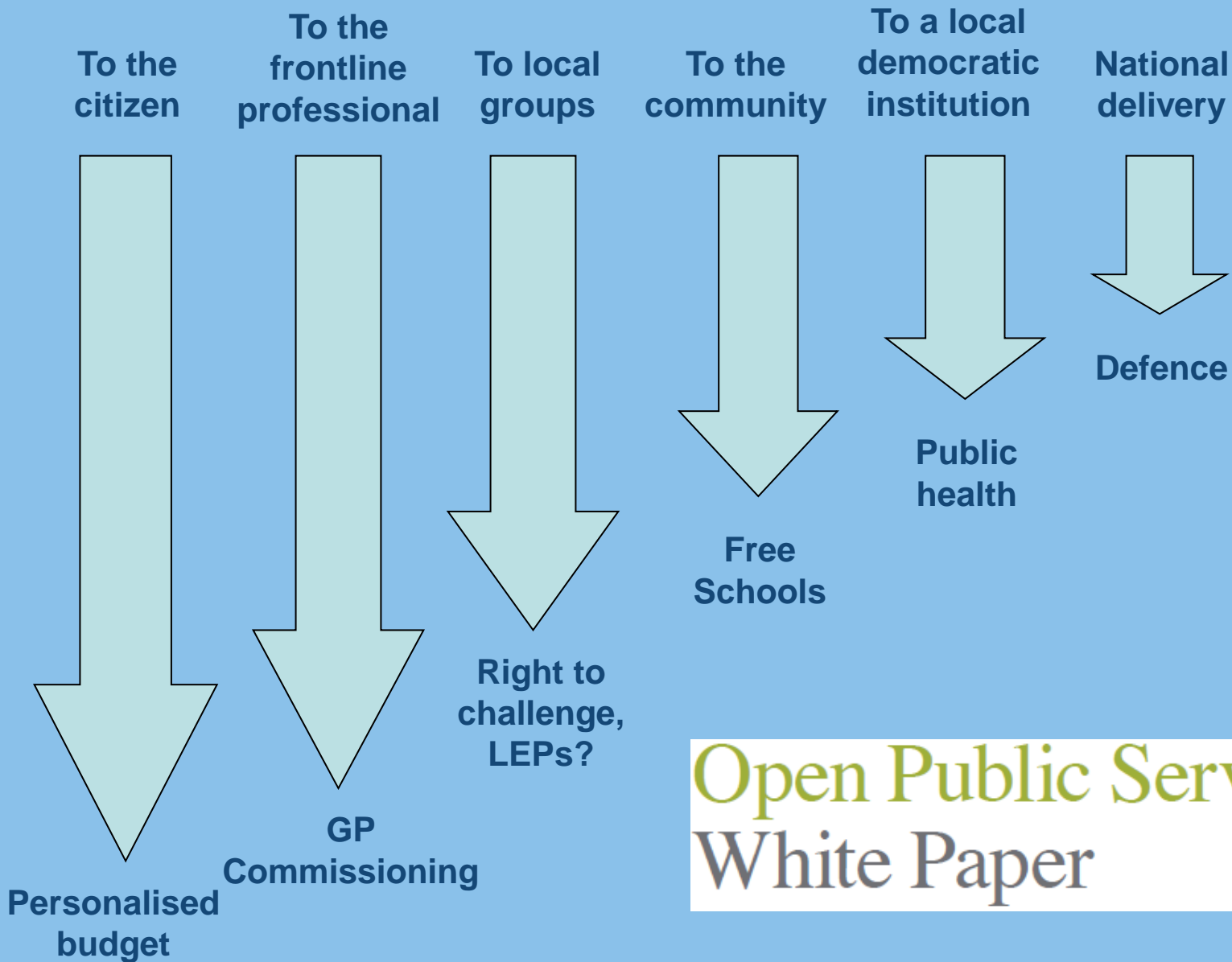
Rebalancing



“Our ambition is to foster prosperity in all parts of the country, harnessing the great potential across the range of industries in the UK. Opportunity must not be confined to particular postcodes, and hardworking and talented individuals must not be denied the chance to succeed. Instead, we must rebalance our economy, ensuring that growth is spread and prosperity shared”

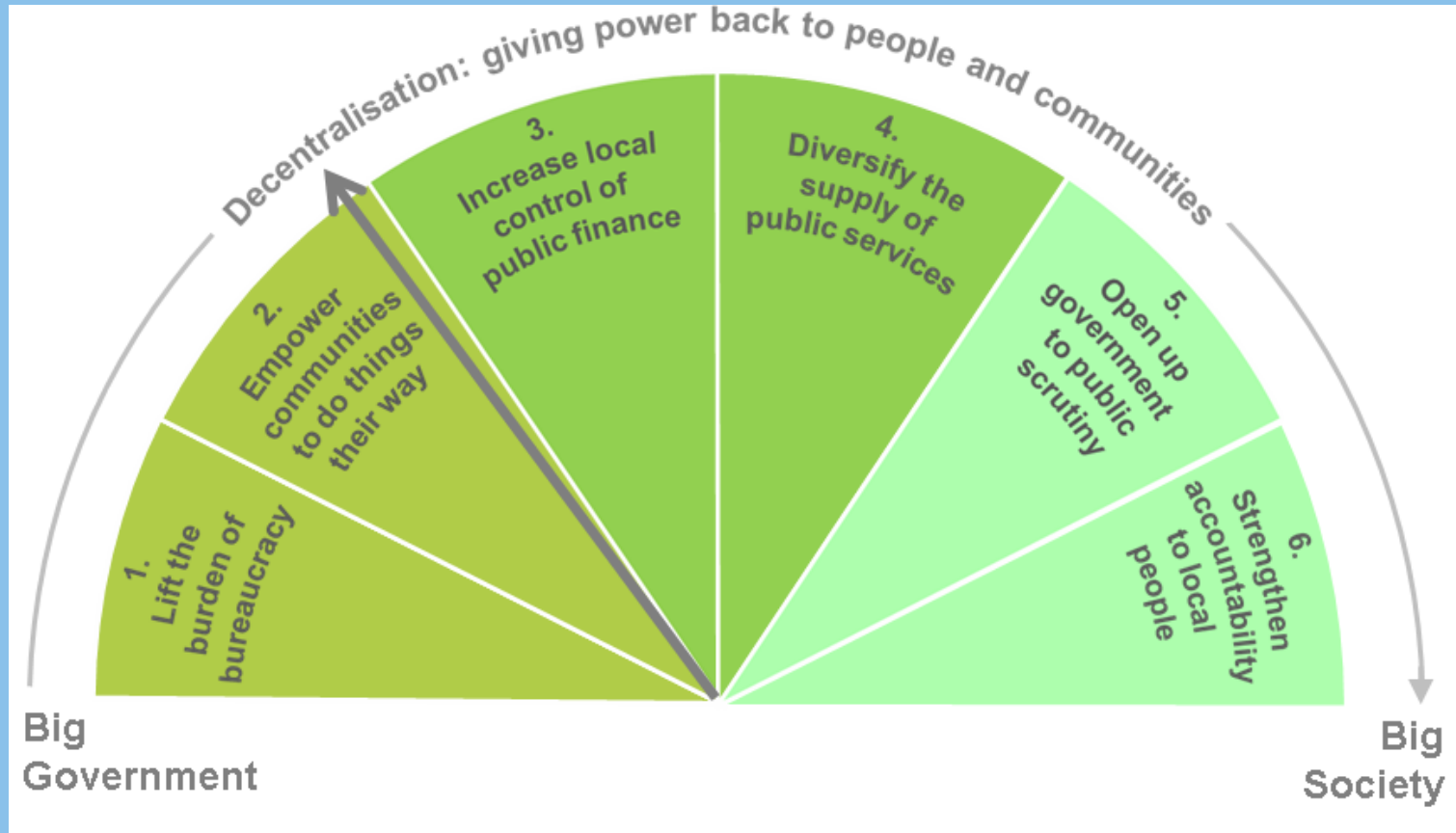
(Nick Clegg, Deputy Prime Minister, quoted in BIS (2010a: 3) Local Growth: Realising Every Place's Potential, Cm7961, Department for Business, Innovation and Skills: London).

Decentralisation

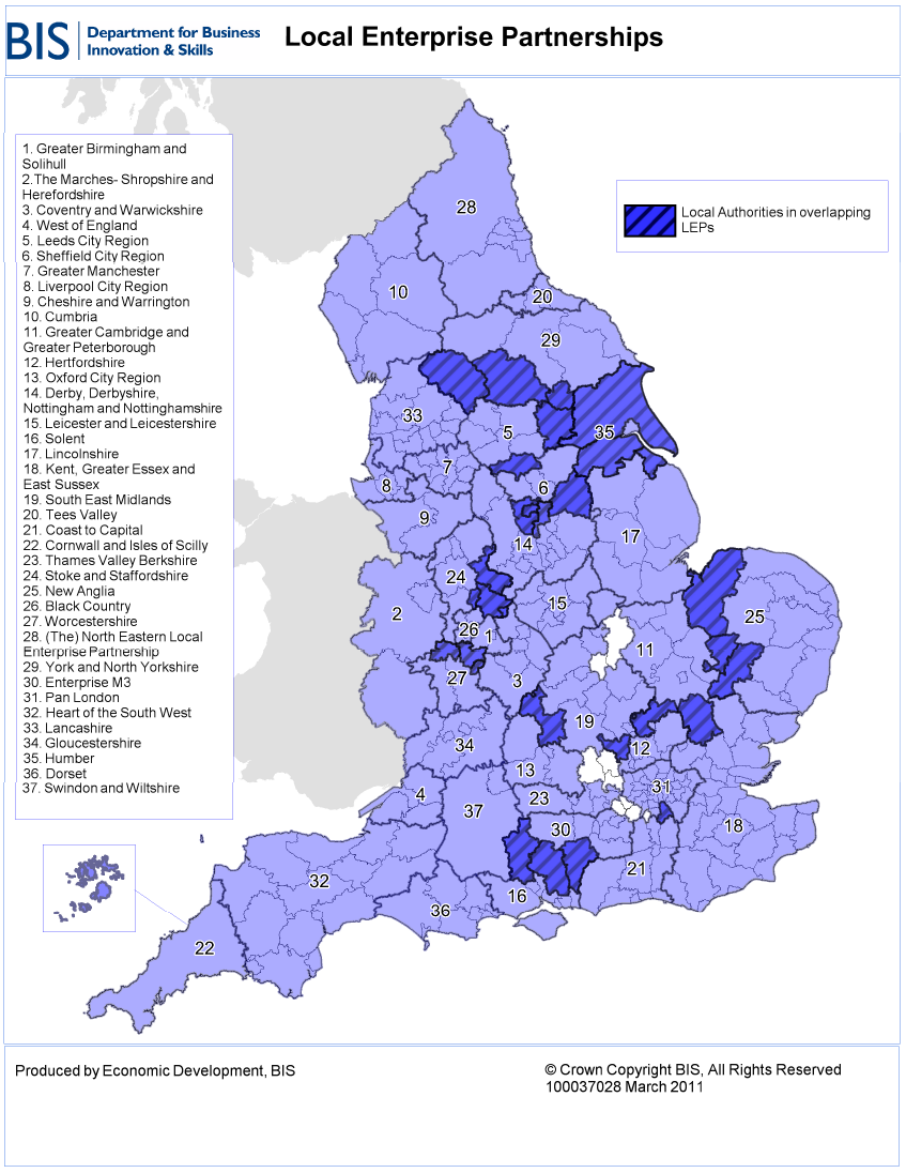


Open Public Services
White Paper

Localism



Local Enterprise Partnerships, 2011 (March)



REGIONAL DEVELOPMENT AGENCIES: ENGLAND



Regional Growth Fund Round 1 Project Locations



Source: Department
for Communities and
Local Government

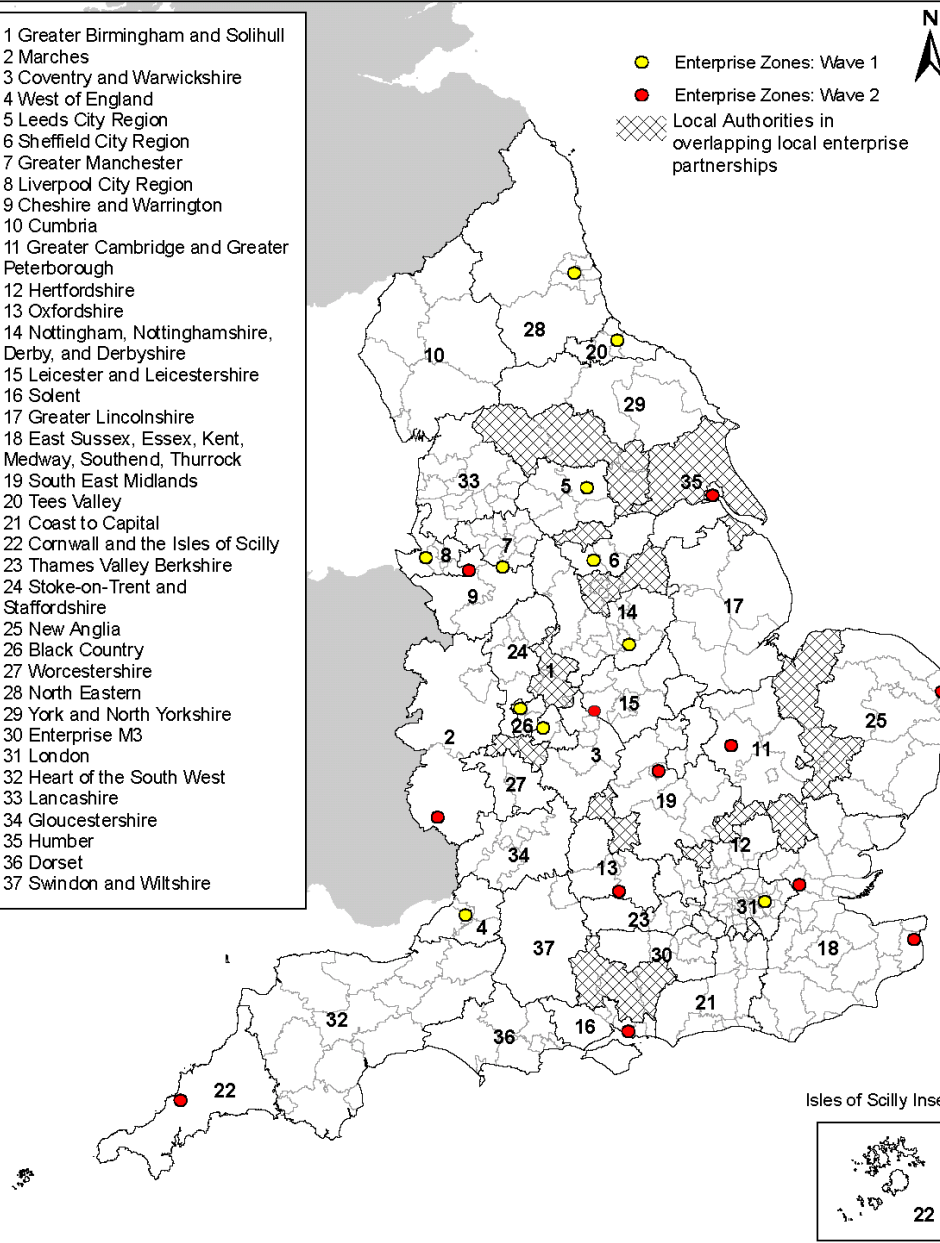
Centre for
Urban & Regional
Development Studies

CURDS

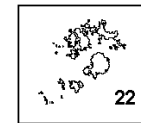
Local Enterprise Partnerships & Enterprise Zones

- 1 Greater Birmingham and Solihull
- 2 Marches
- 3 Coventry and Warwickshire
- 4 West of England
- 5 Leeds City Region
- 6 Sheffield City Region
- 7 Greater Manchester
- 8 Liverpool City Region
- 9 Cheshire and Warrington
- 10 Cumbria
- 11 Greater Cambridge and Greater Peterborough
- 12 Hertfordshire
- 13 Oxfordshire
- 14 Nottingham, Nottinghamshire, Derby, and Derbyshire
- 15 Leicester and Leicestershire
- 16 Solent
- 17 Greater Lincolnshire
- 18 East Sussex, Essex, Kent, Medway, Southend, Thurrock
- 19 South East Midlands
- 20 Tees Valley
- 21 Coast to Capital
- 22 Cornwall and the Isles of Scilly
- 23 Thames Valley Berkshire
- 24 Stoke-on-Trent and Staffordshire
- 25 New Anglia
- 26 Black Country
- 27 Worcestershire
- 28 North Eastern
- 29 York and North Yorkshire
- 30 Enterprise M3
- 31 London
- 32 Heart of the South West
- 33 Lancashire
- 34 Gloucestershire
- 35 Humber
- 36 Dorset
- 37 Swindon and Wiltshire

- Enterprise Zones: Wave 1
- Enterprise Zones: Wave 2
- Local Authorities in overlapping local enterprise partnerships



Isles of Scilly Inset



Source: Department
for Communities and
Local Government

Centre for
Urban & Regional
Development Studies

CURDS

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Data Sources:
OS Boundary Line

Growing Places Fund

“...the formula should seek to allocate funds to areas which are best placed to deliver early growth...We will use a formula based on two components: population and employed earnings. This is a relatively simple formula that accounts for the size of the local enterprise partnership, and provides a good proxy for the economic activity”

Sectoral and regional impact of the fiscal squeeze

An economic analysis of the impact of spending cuts and tax rises.



pwc

“Whilst important, we...question whether the Regional Growth Fund...will provide a large enough incentive to access to funds to make a material difference and whether local authorities and the newly created Local Enterprise Partnerships will have the resources, fiscal powers and capacity to mitigate the impact of cuts and promote growth locally”

(PricewaterhouseCoopers (2010a: 4) Sectoral and Regional Impact of the Fiscal Squeeze, PwC: London).

Summary of estimated public and private sector employment effects of public spending cuts by region (in 2014/15)

Region	Absolute number of public and private sector job losses (000s)	% of total jobs in region
London	122	3.1
South East	112	3.1
North West	108	3.7
Scotland	95	4.1
Yorkshire & Humberside	82	3.7
South West	81	3.5
West Midlands	80	3.6
East	74	3.2
East Midlands	58	3.2
Wales	52	4.3
North East	43	4.1
Northern Ireland	36	5.2
UK total	943	3.4

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The qualitative state and the governance of uneven development

New Labour's 'New Regional Policy', 1997-2010

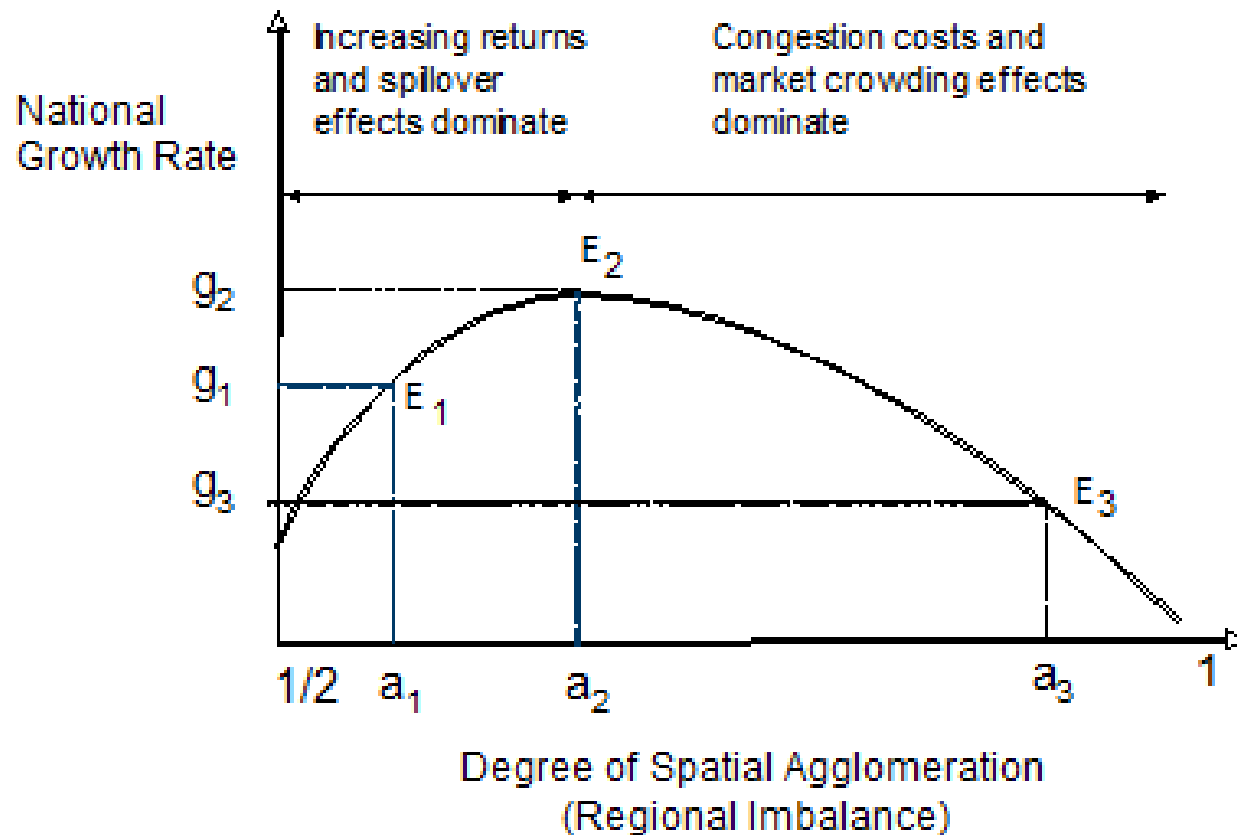
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National aspirations, centralised powers and fragmented localism

**Figure 1: National Growth and Spatial Agglomeration
in a (Two-Region) NEG Model
(After Baldwin et al, 2003)**



Source: Martin, R. (2008) 'National Growth Versus Spatial Equality? A Cautionary Note on the New 'Trade-Off' Thinking in Regional Policy Discourse', [Regional Science Policy and Practice](#)

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