

Research impact: making a difference

Improving urban economic policy in the UK

LSE research showed the UK Government how to support the ‘resurgence’ of cities to deliver local and regional economic growth

What was the problem?

Economic prosperity is very unevenly distributed across the different regions, cities and communities of the UK. It has been a key policy objective of successive governments to tackle these persistent gaps in prosperity by improving local economic performance.

The Spatial Economics Research Centre (SERC) was established at the LSE in 2008 to provide a rigorous understanding of the nature, extent, causes and consequences of these disparities, and to identify appropriate policy responses.

What did we do?

Research by SERC staff identified the causes and extent of “agglomeration” – the concentration of a disproportionate share of economic activity in a small group of cities, towns or urban areas.

The research helped to identify the different ways in which agglomeration can arise and to quantify the benefits that it brings. For example, they found that there are small but significant benefits from education in schools in more dense urban areas, e.g. a 10% relative increase in urban density raises a pupil’s ranking in terms of academic qualifications by about 0.2% between ages 12 and 16.

However, they also identified costs associated with agglomerations:

- The prices of scarce resources increase
- Land and housing become more expensive
- Roads become congested
- Pollution increases.

SERC researchers also looked at how the balance between these costs and benefits affects the development of local economies and the expansion of links between them. They found that policymakers needed to recognise that there may be a trade-off between achieving greater fairness between different parts of the country and encouraging stronger nationwide economic growth.

They recommended that, to improve local economic performance, government policy might want to focus on a smaller number of locations that were best placed to achieve private sector growth. They also recommended that the bodies making decisions at the local level should cover the

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same geographic area as the towns, cities or regions identified as having high potential growth. This would mean, for example, that the Local Enterprise Partnership for a growing city should include those suburbs that are closely connected in terms of employment and trade.

However, they also found that encouraging the growth of what they called “resurgent cities” would lead to winners and losers and warned that the mechanisms did not yet exist for politicians to be able to compensate the losers.

What happened?

Influencing national policy

Three senior members of the SERC research team – Professors of Economic Geography Paul Cheshire, Steve Gibbons and Henry Overman – worked with the Department for Business Innovation and Skills, the Department for Communities and Local Government, Her Majesty’s Treasury, and the Cabinet Office to argue the case for focusing on a small number of areas and ensuring that decision-making bodies matched those areas. These meetings took place over a three-year period from 2008 to 2011.

The meetings included:

- a launch event for the Spatial Economics Research Centre at the Department for Business, Innovation and Skills in June 2008;
- ministerial seminars at the Department for Business, Innovation and Skills in 2008 and 2011;
- a Government Economic Service housing conference in November 2008;
- a Department for Business, Innovation and Skills Secretary of State seminar in March 2009;
- a planning briefing with the Secretary of State for Business, Innovation and Skills, Vince Cable, in May 2011;
- And many more meetings with senior officials from various government departments interested in local economic growth.

'SERC also worked with individual cities to help make the most of their new powers and responsibilities. As a result of this work, Manchester policymakers abandoned their focus on specific sectors and instead called for an emphasis on skills, transport and housing.'

In 2010 the incoming Coalition Government abolished the nine large Regional Development Agencies and replaced them with 39 Local Enterprise Partnerships. At the same time it handed greater independence to individual cities under its “City Deals” programme. This was in line with LSE recommendations to focus on particular areas and to ensure that the local decision-making bodies covered those areas.

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Overman attended a 2011 roundtable on City Deals with Deputy Prime Minister Nick Clegg and Cities Minister Greg Clark, which was followed up by monthly meetings with the Government's Cities Policy Unit advising on various aspects of implementation.

He also advised the Department for Business, Innovation and Skills on possible reforms to the Regional Growth Fund, which has a £3.2 billion budget for supporting projects and programmes that succeed in raising private sector investment, and on the implementation of the 2013 Heseltine Review, which sought to strengthen the role of local authorities.

Helping cities

In addition to influencing national policy, SERC also worked with individual cities to help make the most of their new powers and responsibilities. For example, SERC has had an on-going relationship with policymakers in Manchester, for whom they carried out work on the Manchester Independent Economic Review. As a result of this work, Manchester policymakers abandoned their focus on specific sectors and instead called for an emphasis on skills, transport and housing. SERC advice influenced two specific decisions:

- Locating the city's Enterprise Zone in the area of high business demand near Manchester Airport
- Focusing transport investment on meeting growth targets and tying it in with the local City deal.

In the North East, SERC researchers worked with the Director of the Local Enterprise Partnership to help deliver their independent economic review.

They also worked with policymakers in Cambridge on their "expression of interest" for a City Deal, with a particular focus on demonstrating how this would lead to the creation of new economic growth rather than simply a shifting of economic activity to Cambridge from other UK cities.

Henry Overman is Professor of Economic Geography in the department of Geography and Environment at the London School of Economics. From 2008 to 2013 he directed the Spatial Economics Research Centre. From September 2013 he is director of the new What Works Centre for Local Economic Growth. His current research interests include the causes and consequences of spatial disparities and the impact of urban and regional policy. He has provided policy advice to, amongst others, the European Commission, Department for International Development, Department for Business Innovation and Skills, Department for Communities and Local Government, HS2 and the Department for Transport, HM Treasury, the Manchester Independent Economic Review, and the North East Independent Economic Review.

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Professor Paul Cheshire, an economist by training, has a strong interest in policy analysis and policy related fields, and was recently named one of the Planning industry's most influential people. He has spent time as an advisor and as a consultant for the European Commission, the World Bank, the OECD, the UN and other international organisations as well as the UK government, including being a member of the Expert Panel for the Barker Review of the Planning system, and an Academic Friend of the Eddington Transport Study. He was a Board member of the National Housing and Planning Advice Unit and a member of two of the Department of Communities and Local Government's Expert Panels. He is a member of the International Scientific Committee of Nicis and of the conseil scientifique du Grand Paris.

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