UK Cities in a Global Economy: Why Does Devolution Matter?

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- “Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.” Paul Krugman (1994) *The Age of Diminished Expectations*

- UK regional productivity differentials are the largest in the industrialised world → UK is internally decoupling

- 47% of UK population live in areas as poor as the poorer parts of the former East Germany, poorer than parts of Slovakia, Czech Republic and areas of Poland and poorer than West Virginia and Mississippi

- UK interregional inequalities are as big as the Eurozone!

- Standard textbook model: cities out-perform non-urban areas in terms of productivity → and therefore wage-incomes
- London is a productivity superstar but UK cities in the Midlands and North of England → weak productivity
- No UK cities (250,000 metro-areas) outside of the Greater South East exhibit productivity performance above the UK average
- At the onset of the 2008 crisis, one-third of UK cities exhibited productivity levels below non-metro areas, 45% had slower productivity growth than non-metro areas, and 60% has slower population growth than non-metro areas
- UK cities are vulnerable to shocks → response to 2008 crisis and lack of resilience → further risks associated with Brexit
- Urgent need to change this reality

• Failure of the prevailing UK economic framework to support cities outside of the Greater South East
• Little or no observable UK-wide spillovers or ‘trickle-down’ effects across the country
• Effects of the 2008 crisis dominated by cities in the Midlands, the North, Wales and Northern Ireland
• Increasing inequality across the UK becomes widely observable
• Agglomeration economies operate more effectively in other more devolved countries
• Links between economic performance and governance
UK Cities in a Global Economy: Why Does Devolution Matter? Governance Rationale

- UK is the most top-down, centralised and space-blind governance system in the industrialised world
- UK internal decoupling is a disaster for national-level policy-making
- Enormous internal heterogeneity limits or inhibits the effectiveness of national top-down policies
- The central design and delivery of policies becomes increasingly inefficient as greater local knowledge becomes essential
- London-centric political narratives as national narratives become less convincing
- Observed success of Scottish and London devolution
UK Cities in a Global Economy: Why Does Devolution Matter? Governance Rationale

- Essential response is to upscale and reinvigorate local policy design, delivery and stakeholder engagement → rationale for devolution
- Devolution is not decentralisation → not central design and control but local delivery
- UK history of city-based devolved public policy-making → street-lighting, sewerage systems, health and sanitation, clean water provision, museums, art galleries, educational and technical institutes, theatres and orchestras, parks and public open spaces, universities
- Many parallels in the USA, Canada, Australia, New Zealand, Germany, The Netherlands, Belgium
- Observed success of devolved city-regional governance in other OECD countries
UK Cities in a Global Economy: Why Does Devolution Matter? Governance Rationale

• Devolved governance became embedded in societies such as USA, Canada, Australia, Germany, Austria, Belgium but was largely lost in the UK, except recently in Scotland, Wales and Northern Ireland
• OECD-wide evidence: the greater are the levels of devolution the more equal are the patterns of economic growth and development
• There is no national boost or constraint on growth associated with devolution
• The UK is an outlier: huge inequalities and even greater concentrations of economic growth with a top-down and centralised governance system
• Challenge to democracy → a geography of discontent; revenge of the places that don’t matter/the left behind
UK Cities in a Global Economy: Why Does Devolution Matter? Engagement Rationale

- Capacity-building and local stakeholder engagement are the crucial elements and objectives
- Learning-by-doing is essential for institutional and governance enabling
- Crucial need to achieve economies of scale similar to other European, North American or Australasian cities
- Lower tiers of local government are too small to influence or shape many areas economic development → innovation, entrepreneurship, energy, supply-chains, foreign direct investment etc, are not constrained by local government administrative borders
- Upper tiers of government are too distant to be meaningful and effective
UK Cities in a Global Economy: Why Does Devolution Matter? Engagement Rationale

- City-region governance logic is consistent with many other countries
- Need to build up city-region networks of collaboration and devolved decision-making
- Long-term local engagement of private sector, civil society, higher education, and the public sector
- City-Region Combined Authorities working alongside Local Enterprise Partnerships (LEPs)
- Northern Powerhouse and Midlands Engine
- Local Industrial Strategies → even more important than the National Industrial Strategy
- Local finance and taxation
- Shared Prosperity Fund
UK Cities in a Global Economy: Why Does Devolution Matter? Engagement Rationale

• Need to invest in knowledge-resources and capabilities
• Example of US cities, Federal Reserve Divisions and city economic departments
• German cities, Lander, Fraunhofer systems, role of German Chambers of Commerce [Heseltine 2012 Report No Stone Unturned]
• Reconnaissance of all economic and social indicators
• Data for decision-making, policy-monitoring and evaluation
• UK City-region devolution – key first sets of steps towards UK governance transformations
• In a heavily urbanised society, there is no real Plan B to city-devolution
BREXIT: ALL CLOUDS OR ANY SILVER LININGS FOR CITY-REGIONS?

Professor Mark Boyle and Dr Aileen Jones
Heseltine Institute: Connecting Public Policy, Practice and Place

‘DEVOLUTION, METRO MAYORS, LIVERPOOL CITY REGION’
MARITIME MUSEUM, ROYAL ALBERT DOCK, LIVERPOOL, JULY 4 2018
OUR STARTING POSITION:

Brexit is a high stakes gamble which will harm UK city-regions for the foreseeable future.

But........ the impact of Brexit will be tempered by the extent to which the UK supports its city-regions, especially those in left behind places.

What happens next matters!
WHAT WE NEED

CLARITY NOW!  TRUTH NOW!  HOPE NOW!
CLARITY NOW!

BREXIT MEANS BREXIT
BUT WHAT DOES BREXIT MEAN?
NO SINGLE MARKET OR CUSTOMS UNION BUT A ‘CLOSE PARTNERSHIP’

THIRD WAY CUSTOMS UNION?

EEA LIKE- NORWAY MODEL?
SWISS MODEL?
CU LIKE TURKEY MODEL?
FTA LIKE CANADA MODEL?
WTO OR WHAT?
TRUTH NOW!

IN A POST-TRUTH WORLD, WHAT CAN SOCIAL SCIENCE TELL US ABOUT THE LIKELY IMPACTS OF BREXIT?
The Weight of Evidence

- The UK economy has already been negatively impacted
- The UK economy will continue to be negatively impacted
- The harder the Brexit the worse the economic forecast
- It is unlikely that even good trade deals with other large economies will mitigate trade foregone with the EU under a hard Brexit
- City-Regions in the UK will be more impacted than City-Regions in the EU (with the exception of those in the ROI)
- City-Regions in the UK will be differentially impacted: Northern City-Regions will find Brexit even more difficult to manage than others
HOPE NOW!

HOW WILL POST BREXIT UK SUPPORT ITS CITY-REGIONS?
Brexit

After 40 years of Globalisation and Neoliberalism and 10 years of austerity, a *cri de couer* from the ‘Left behinds’?

Defn: a cry from the heart; heartfelt or sincere appeal
PRIORITIES AFTER BREXIT:
THE CHALLENGE FACING UK CITY-REGIONS

Global Britain – The politics of a High Road Strategy
• Productivity and R&D Focus
• Global Trade
• Global Talent

Inclusive Growth: The politics of the Left Behinds
• More Devolution
• Spatially Sensitive National Policy
• A new Politics of Hospitality
LIVERPOOL
ON THE BRINK
Michael Parkinson
POLICY JOURNALS
Cities are the creatures of economics. They survive as communities if they can cope with the vagaries of economic change. Once economic decline sets in, every aspect of their life is threatened. Liverpool is the perfect illustration of that process, for decline has eaten into the city’s economy, society and politics. The story began with the port. It made the city great and in the 19th century gave it more millionaires than any other provincial city in Britain. But the port’s decline left Liverpool with a legacy that now makes economic survival, let alone recovery, problematic at best. Its fall began with the impact of the 1930s depression upon world trade. But since 1945, changes in the national and international economy have dramatically speeded up the process. And the city has never really recovered its balance.

In the 1980s, the city is economically marooned: it is in the wrong place, based on the wrong kind of economic activity with an outdated infrastructure and an underqualified labour force. It is increasingly a range of social problems in the city as intense and intractable as any in Western Europe. In 1981 tear gas had to be used by police for the first time on the British mainland to put down ‘a poor people’s revolt’ in its inner city.

Until quite recently, the city’s economic misfortunes did not have a major direct impact upon the health of the municipal economy itself, because high levels of public expenditure and a relatively generous government grant system protected the local authority from the most
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