

# Local economic performance and development: a literature review

Sean McDaniel and Craig Berry

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Non-partisan, it has been welcomed by both government and opposition parties. The Commission's Interim Report, *Time for Change: A New Vision for the British Economy*, was published in September 2017. Its Final Report will be published in autumn 2018.

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## Introduction

Severe geographical inequalities, it seems, are a constitutive element of the British political economy. Whilst the South of England, and especially London, has prospered since the deregulation of financial services in the 1980s, the economic performance of the rest of the country has been under-whelming, and often alarming. But the ‘North-South’ divide in the UK’s economic performance extends much further back than the past four decades (Berry and Giovannini 2017; Martin and Gardiner 2017). Furthermore, not only does the UK have one of the highest levels of spatial inequality among developed countries (McCann 2016; MacKinnon et al. 2015), but it also has ‘one of the most centralised systems of sub-national government finance, whereby local authorities are heavily dependent on transfers from central government’ (MacKinnon et al. 2015). The limits of decentralisation and the *de facto* and *de jure* concentration of power in London is seen to entrench spatial imbalances and uneven patterns of economic development in the UK, by producing a London-centric focus amongst policy-makers (MacKinnon et al. 2015). Accordingly, much discussion of local economic performance in the UK is accompanied by discussion of the prospects for greater devolution of powers to regional and local authorities.

The purpose of this review is, primarily, to summarise and assess the literature on local economic development in the UK (occasionally drawing upon evidence from other countries, where relevant); that is, seeking to move beyond a purely regional perspective on the UK’s economic geography, and instead codify evidence and perspectives on the *sub-regional* level. Alas, the distinctions between regional and local are, at times, somewhat blurred within the literature. This is most apparent in analysis of the UK’s large cities, which are technically sub-regional economic spaces but often incorporated into debates about regional economic performance (with the London city-region being the exception that proves the rule in this regard). Of course, we start from the assumption that understanding economic performance and development at any spatial scale necessarily requires us to understand dynamics within the broader landscapes within which localities exist.

The first section provides an overview of the economic performance of the UK’s localities at various scales, and considers whether there are both regional and sectoral patterns to sub-regional performance. The second section draws out some of the key themes from the literature on the local factors that might shape local economic development. The third section

assesses the literature on initiatives designed to support local economies to prosper. The fourth section looks specifically at the literature on devolution. A final concluding section pulls together some of the key findings and places them in a broader political-economic context, and reflects upon the difficulties and dilemmas of pursuing progressive goals and economic justice at the local level. The authors are grateful to Michael Jacobs and colleagues at IPPR for their support in producing this review.

## **Local economic performance in the UK**

### *How does the UK compare?*

The inequities in regional economic performance experienced across the UK are extreme. Although regional disparities are not uncommon amongst comparable European countries, the UK does stand out. At the regional (NUTS 2) level, the UK is the only large country in Europe with regions in all five quintiles of the GDP per capita range (McCann 2016). As McCann (2016) argues, in most other advanced economies changing employment, skills and income distributions ‘are dispersed much more evenly across the country, whereas in the UK they appear to be more heavily biased towards certain regions than in almost any other advanced economy’. These divergence trends have, moreover, ‘accelerated in the years immediately before and after the crisis’. Martin et al. (2015) note, ‘the scale of spatial economic imbalance in the UK has in fact been growing since the late-1970s, though it accelerated during the 1980s, and continued to increase in the 1990s and the debt-driven boom of the first decade of the 2000s’. The rapid increases in the UK’s regional disparities have outstripped those of all other major developed countries (Martin et al. 2015).

At the smallest local level calculated by Eurostat, the UK’s geographical inequalities appear even starker. At the sub-regional NUTS3 level (areas of between 150,000 and 800,000 people – the UK has 173), ‘using the standard deviation of regional GDP figures normalised relative to the country level as an index of dispersion, then the UK emerges as the second most unequal country in Europe, behind only Slovakia’ (McCann 2016). Moreover, at this very local level, immediately following the crisis the increase in disparities between sub-regional areas was the third highest in Europe, whilst in terms of the Gini index, in 2010 the UK was the most unequal country within the EU-15 western European economies after Ireland at the NUTS3 level – putting the UK on a par with Poland and Hungary (McCann 2016). This

means, McCann (2016) notes, that in the UK interregional inequality at the NUTS3 level is ‘now some 50 per cent higher than in similar-sized economies such as France and Germany’.

### *Regional patterns in sub-regional performance*

Productivity levels and economic output are low in most parts of the country, outside of London and the South East. As Harari (2017) notes, the top five local areas with the highest economic output, measured as GVA per head, are in London. Beyond this, the top ten is comprised of sub-regions in the South East of England, as well as the affluent Scottish cities of Edinburgh and Aberdeen, whilst the bottom ten are exclusively areas found in Northern England, Scotland, Northern Ireland and Wales. See the table below for more details.

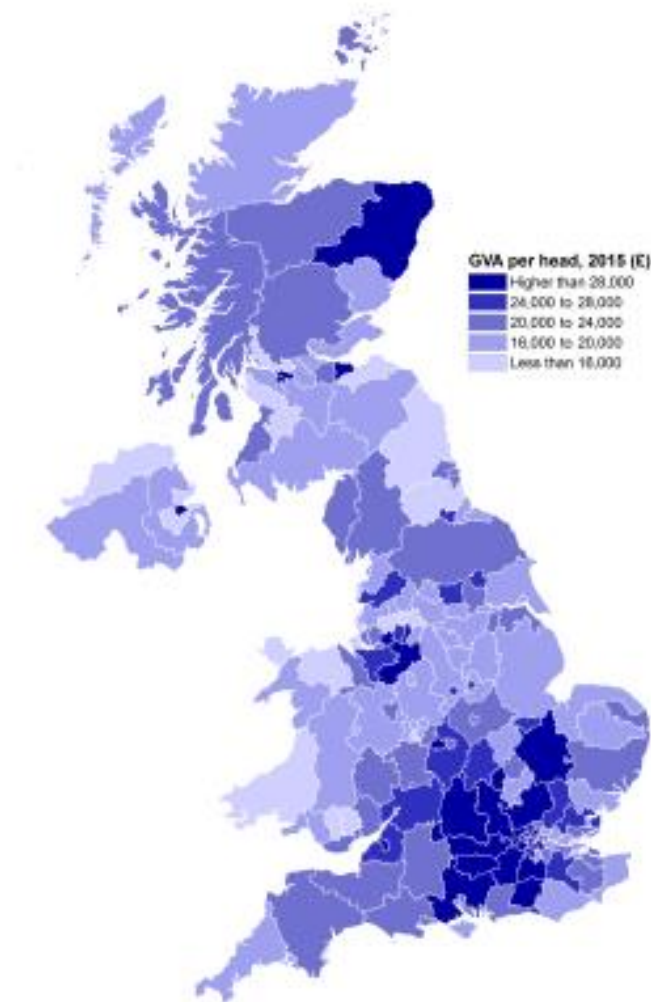
**GVA per head in NUTS3 areas, 2015 (reproduced from Harari 2017)**

Rank (out of 173) Area	£ per head	Index where UK=100
1 Camden and City of London	292,855	1,155.2
2 Westminster	221,103	872.2
3 Tower Hamlets	98,134	387.1
4 Kensington & Chelsea and Hammersmith & Fulham	62,431	246.3
5 Haringey and Islington	45,611	179.9
6 Milton Keynes	41,581	164.0
7 Berkshire	40,248	158.8
8 Hounslow and Richmond upon Thames	37,087	146.3
9 Edinburgh, City of	36,963	145.8
10 Aberdeen City and Aberdeenshire	36,726	144.9
<b>UK (excl. extra-regio)</b>	<b>25,351</b>	<b>100.0</b>
164 Central Valleys	15,429	60.9
165 Blackpool	15,372	60.6
166 East Ayrshire and North Ayrshire mainland	15,200	60.0
167 East Lothian and Midlothian	15,128	59.7
168 Sefton	14,769	58.3
169 Outer Belfast	14,592	57.6
170 Wirral	14,523	57.3
171 North of Northern Ireland	13,919	54.9
172 Gwent Valleys	13,681	54.0
173 Isle of Anglesey	13,411	52.9

Harari illustrates how stark this divide is with the use of a map of the UK, divided by the 173 sub-regions, as seen below. Although the literature is patchy, this regional pattern has explanatory potential to help us understand the economic performance of particular types of local areas too (eg. cities/towns/rural areas). For instance, covering the period 2004-2013, the Centre for Cities (2015) found that net job growth in southern cities was at 12.4%, whilst for northern cities it was only 0.9% – demonstrating that the regional location of cities is critically important (see also Fothergill and Houston 2016). SPERI (2015) research further highlights the entrenched differences between Northern and Southern regions of England,

comparing the weak economic performance of Sheffield City Region to the Coast-to-Capital and Oxfordshire LEP areas in the South East, in both the pre- and post-crisis periods.

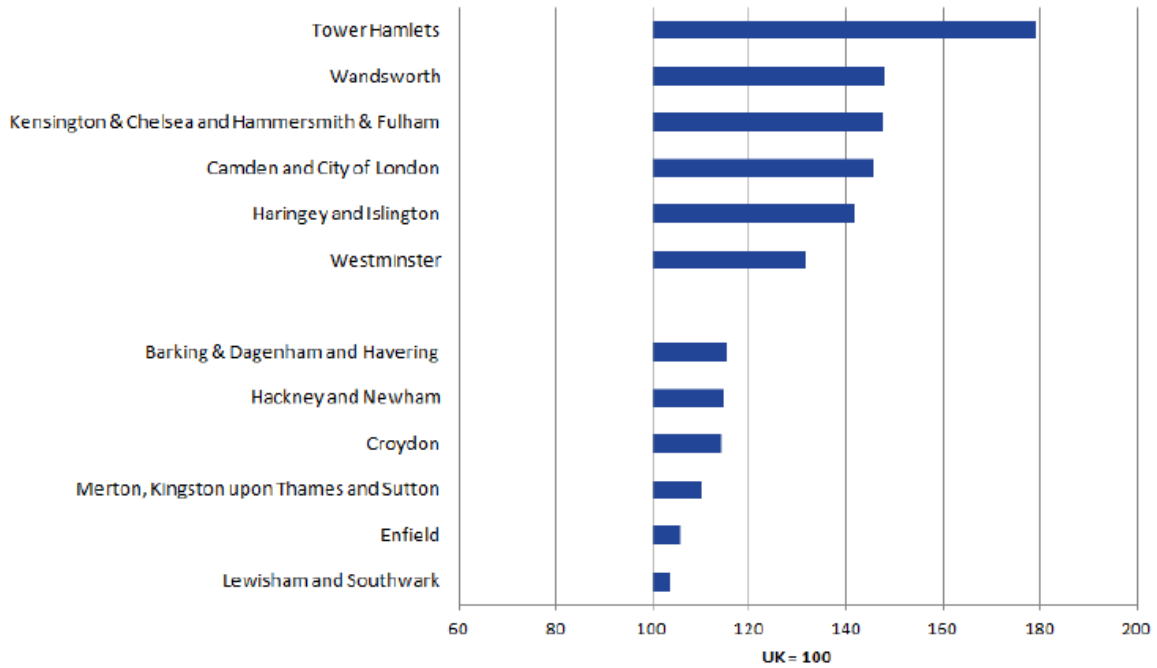
**2015 GVA per head data for all 173 NUTS3 local areas (reproduced from Harari 2017)**



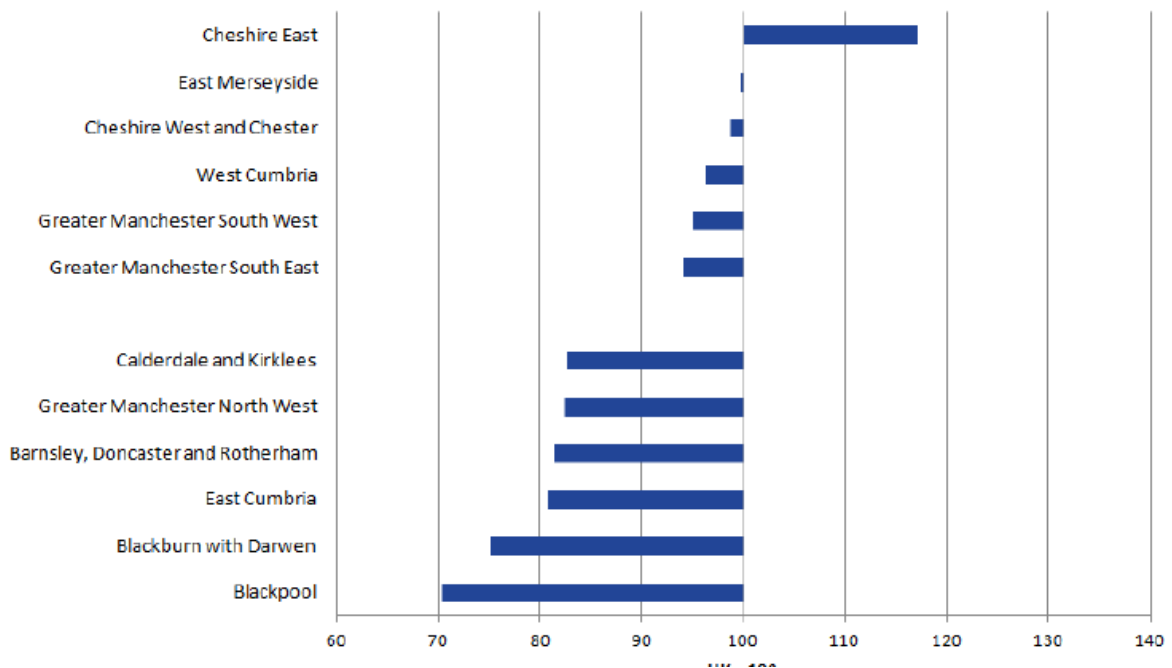
There is also a geographical dimension to the UK's productivity problem. Recent ONS (2017) data reveals that at the regional (NUTS 2) level, other than London, only Aberdeen and Bristol have productivity levels, measured as Gross Value Added per hour worked, above the UK 'average'. In line with the idea of the 'North-South divide', whilst all 21 sub-regions (NUTS 3) of London had productivity above the UK average in 2015, just 7 sub-regions outside of London and the South of England had productivity performance above the UK average (ONS 2017). Moreover, just one of these sub-regions was located in the North of

England (Cheshire East), whilst Wales and Northern Ireland had no sub-regions performing above the UK average – compare the charts below for more details.

**GVA per hour worked - London - highest and lowest ranking NUTS3 sub-regions, 2015**  
(reproduced from ONS 2017)



**GVA per hour worked – North of England - highest and lowest ranking NUTS3 sub-regions, 2015**  
(reproduced from ONS 2017)



### *Differences between urban, rural and coastal areas*

The view that the UK's big cities are the drivers of growth across the country is prevalent within policy debates around devolution, with both the Heseltine Report (2012) and the Adonis Review (2014) backing the greater devolution of powers to cities to spur growth. Yet, as Fothergill and Houston (2016) point out in a recent article, there is scant evidence to support this claim, and in fact, evidence exists to contradict it. They highlight how the city-centric view of growth, which is underpinned by the 'New Economic Geography' (NEG) and 'New Urban Economics' (NUE) literatures which promote a thesis of 'agglomeration economies' wherein big cities grow more quickly than surrounding areas and operate as the engines of growth in regions, stands in contrast to the dominant view pre-2000 wherein British cities were seen as being in decline. The agglomeration thesis of the NEG and NEU literatures, which draw heavily on US-based evidence, posits that cities display the greatest productivity and innovation, and have been influential in British policy-making circles over the past two decades, alongside endogenous growth theory's perception of the role played by human capital and innovation (Fothergill and Houston 2016; Barca et al. 2016; see also BIS 2010). Whilst London is an outlier, analysis of the UK reveals that on average city size is weakly associated with productivity and growth, and that smaller cities and towns (population sizes of between 200 and 500,000 residents) perform most strongly on these measures (Martin et al. 2014; Frick and Rodríguez-Pose 2016; Fothergill and Houston 2016). Other analysis conducted by IPPR North similarly demonstrates how the evidence for agglomeration effects in the UK, and indeed more widely across Europe, is mixed and that the role played by small and medium-sized cities and towns in generating economic growth is too often overlooked (Cox and Longlands 2016).

Moving away from the rather deterministic outlook of the agglomeration thesis encourages us to ask: if a city's size is not the key factor in its growth potential, then what is? Fothergill and Houston (2016) refer to four factors which have differentially shaped city growth in the UK, and which serve to distinguish the characteristics from agglomeration dynamics found in the US. The first factor is that 'as manufacturing accounts for a smaller and smaller share of total employment, other sectors of the city economy begin to have a bigger influence on overall growth', which has served to variegate city growth. The second is regeneration money; that is, funding from a wider range of sources (national government, EU, etc.) which has varied in scale, effectiveness and impact. The third factor is the composition of UK growth. The two



and a half decades of sustained economic growth from the early 1990s had distinctive and varied consequences for the UK's cities, including growth in financial services, rising spending on retail and leisure and an expanded higher education sector. Finally, globalisation has critically reshaped the landscape of UK city growth, predominantly by serving to drive growth in London and allow it to emerge as a truly 'global city', whilst having potentially negative effects on other parts of the country (Fothergill and Houston 2016).

Cowling and Lee (2017) argue that the performance of cities in terms of employment growth may also be attributable to factors outside of core issues such as productivity and infrastructure. Their study looks into how entrepreneurship, culture and universities influence the distribution of workers in the UK and city growth. Their research suggests that high-skilled workers are attracted by the culture and cultural amenities present within a city, as well as 'the presence of an entrepreneurial culture captured by lots of people starting new businesses'. This, they argue, has something of a bifurcating trend to it – wherein 'it is likely to be very difficult for cities with low existing levels of talent to "catch-up" with more "talented" cities as a disproportionate share of new talent will be attracted to those cities already best placed in this respect' (Cowling and Lee 2017).

Coastal towns, whilst often seen as uniformly weak economies, are a similarly complex case. Academics at Sheffield Hallam University have led research on the English seaside economy over the past fifteen years (see Beatty and Fothergill 2003; Beatty et al. 2008; Beatty et al. 2014). Their research does reveal that many coastal towns are amongst the most deprived and worst performing in terms of productivity, growth and job creation. A number of indicators show this to be the case: GVA per head in the sub-regions containing seaside towns is almost always below the English average, they attract fewer migrant workers, average earnings are below the national average, and in most seaside towns levels of deprivation are above the English average (Beatty et al. 2008). The New Economics Foundation (NEF) has produced work on coastal towns as part of their 'New Blue Deal' initiative, and their analysis pinpoints some of the weaknesses common to coastal areas. They note coastal towns often suffer from the following issues:

- Frequent dependency on a single industry (tourism) - which can be almost 60% of total local employment in some areas
- Significant shares of residents in 'skills poverty'
- Low representation of jobs in the professional, scientific, and technical services – or the 'information and communication' sectors

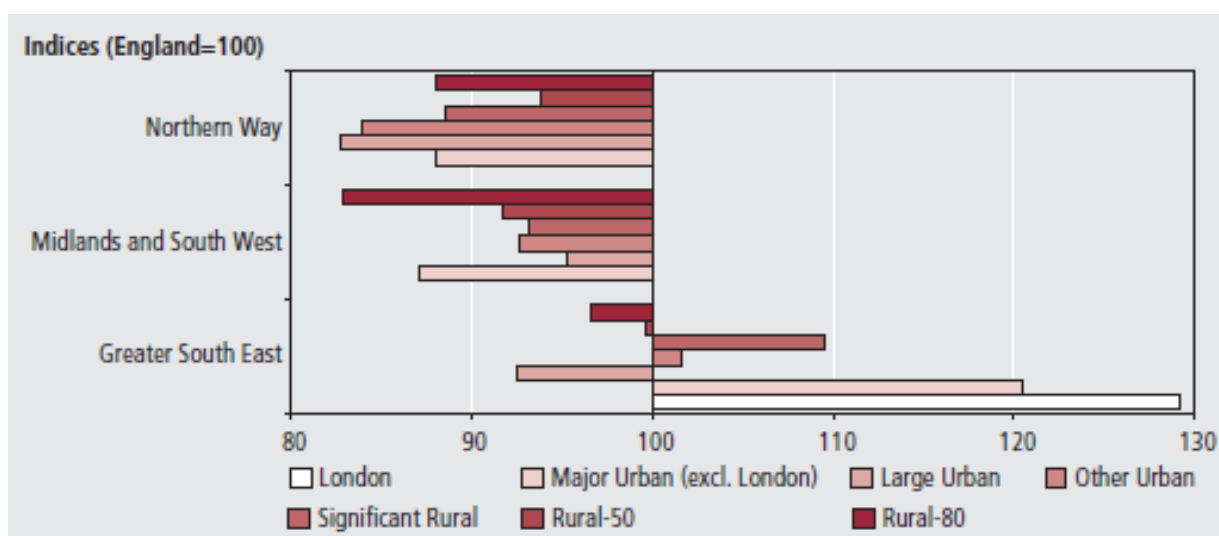
- Higher proportions (than non-coastal areas) of working-age people on out-of-work benefits
- Higher-than-average dependency on public sector employment

Moreover, coastal towns are subject to a range of environmental and social issues which impact upon the local economy such as the problems associated with overfishing, pollution and marine litter, habitat degradation and climate change (NEF 2015). Nevertheless, this literature also consistently argues that coastal towns as a whole ‘should not be bracketed with Britain’s other problem locations, such as older industrial areas’ (Beatty and Fothergill 2003). Rather, coastal town economic performance is linked with the wider regional economy in which the town is located – with places such as Exmouth, Bournemouth, Brighton, and Whitley Bay performing significantly better than Clacton, Great Yarmouth, Skegness and Thanet. Moreover, whilst some coastal towns, like Brighton, have gone from strength to strength in the past decade despite worsened economic conditions and austerity, others, such as Blackpool, have decline markedly (Beatty et al. 2014).

Rural economies face some economic challenges unique amongst region types in the UK, including the growing ‘digital divide’. With broadband growing as an increasingly necessary component of everyday life, rural areas, which are among the most excluded from broadband technology, are growing increasingly adrift from the opportunities that the internet offers to both promote economic growth and productivity, as well as overcome problems of physical and social isolation prevalent in such areas (Townsend et al. 2014; Roberts 2017). A Defra/ONS report (Gibson et al. 2009) also sheds light on the differences in rural and urban productivity levels across England’s regions. The chart below looks at productivity levels (GVA per job) across regions grouped into three larger groups: the Northern Way (the North West, North East and Yorkshire and the Humber), the Greater South East (London, South East and East of England) and Midlands and South West (East Midlands, West Midlands and the South West). Within each of the three ‘super-regions’, the rurality of areas is defined into 6 groups plus London. Amongst the rural groupings: ‘Significant Rural (SR)’ means ‘districts with more than 26 percent but less than 50 percent of their population living in rural settlements and larger market towns’; Rural-50 (R50) means ‘districts with at least 50 percent but less than 80 percent of their population living in rural settlements and larger market towns’; Rural-80 (R80) means ‘districts with at least 80 percent of their population living in rural settlements and larger market towns’.

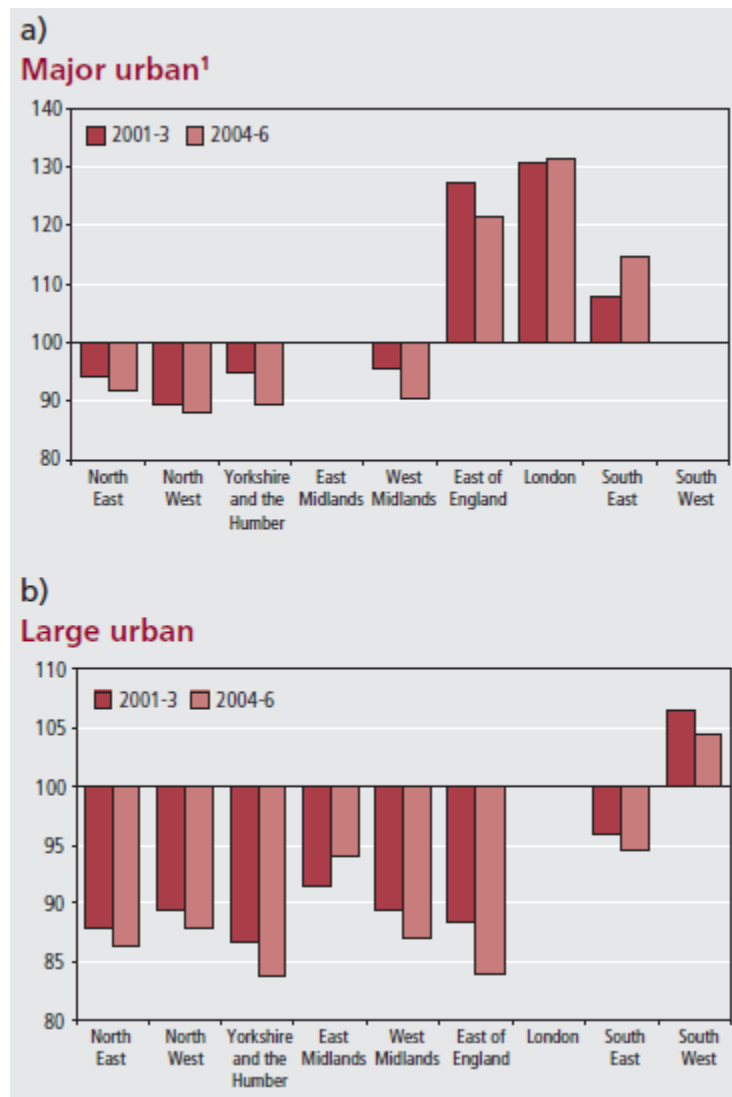
The rural categories in the Greater South East outperform rural areas everywhere else in England. Interestingly, however, in areas within the ‘Northern Way’, predominantly rural areas have higher productivity than those in the Midlands and South West (Gibson et al. 2009). Although the methodology used renders it difficult to isolate towns, if we utilise the ‘Large Urban’ category (defined as having between 50,000 and 100,000 residents) we also see that, interestingly, the Midlands and South West outperforms both the Northern Way regions and the Greater South East regions (Gibson et al. 2009).

GVA per job by LA classification for regional grouping, 2006 (reproduced from Gibson et al. 2009)



By drilling down further into the data on Large Urban areas and comparing it with Major Urban area data (more than 100,000 inhabitants), we can see the regional variations more clearly. As illustrated in the charts below, the South West is the only English region where Large Urban areas are performing above the English average in terms of productivity, whilst performance in this regard is below the English average in every other region (excluding London). Moreover, when comparing Large and Major Urban areas, we see that Major Urban areas outperform Large Urban areas in all regions, and especially so in London, the East and the South East of England.

GVA per job by region and type of area, 2001–2003 and 2004–2006 (reproduced from Gibson et al. 2009)

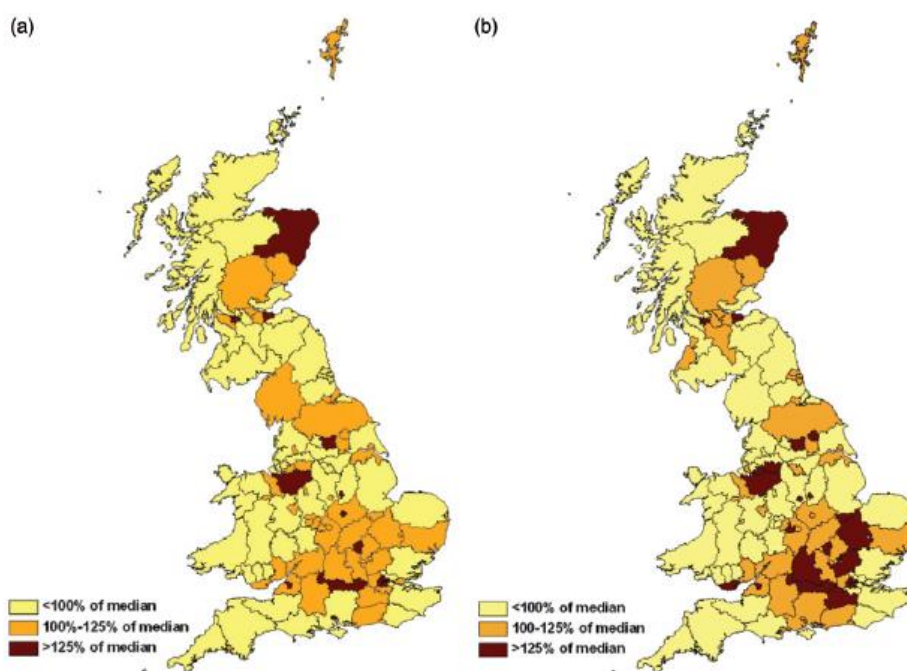


### *Sectoral patterns in sub-regional performance*

Given the significant deindustrialisation experienced across many of the UK's regions from the 1980s, and the broader shift of the UK economy towards the service industries, it is clear that there is a sectoral dimension to disparities in regional and sub-regional economic performance. Curran (2012) considers the period 1995–2007, and demonstrates how the growth in the services industry has been the key factor in driving the rapid expansion of GVA per capita in the South of England and London. Below are several maps reproduced from Curran (2012) which show real GVA per capita across all of Britain's NUTS3 sub-regions in both 1995 and 2007, first in aggregate, then for the secondary sector (manufacturing), and business services and finance industry. As Curran (2012) notes, the contrast over the 1995 to 2007 period between secondary and services sector GVA per capita developments is stark.

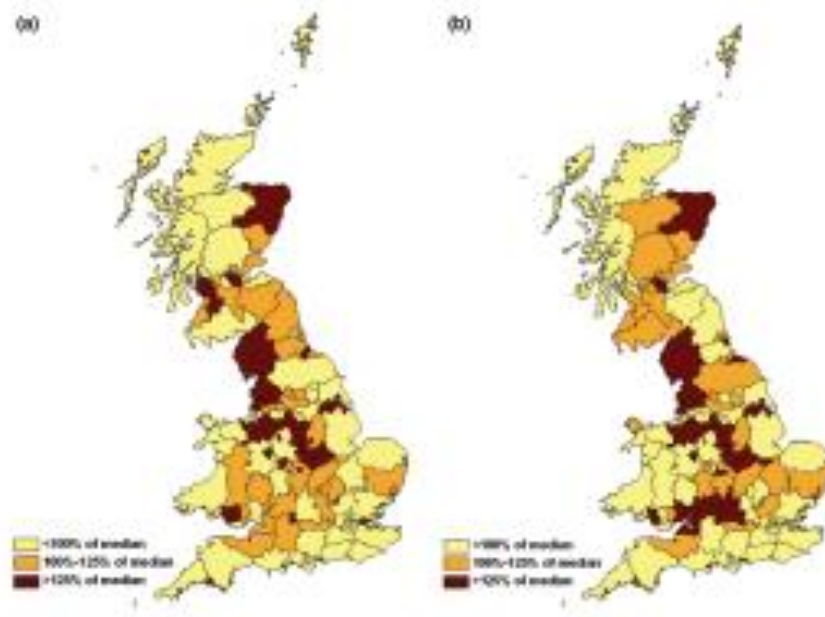
The growth in business services and finance has followed ‘a very persistent spatial pattern that has been established prior to 1995 and has been reinforced over the subsequent years’. This fine-grained local level analysis of the activity of two core sectors in the UK economy reveals the way in which the changing prevalence of particular sectors have fundamentally reshaped local-level economic performance.

Aggregate real GVA per capita (2007 £) for 1995 (a) and 2007 (b) at NUTS 3 level  
(reproduced from Curran 2012)

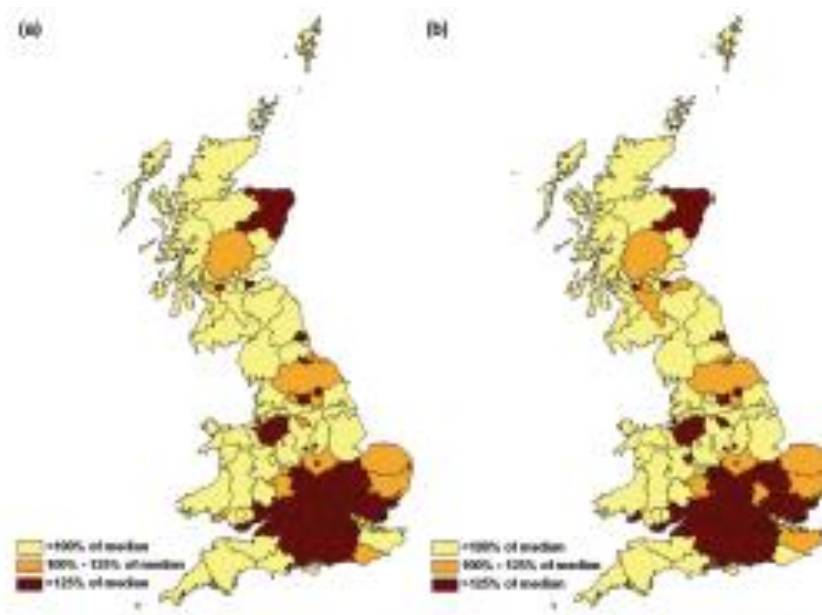


Nevertheless, the weakness of economic growth in the UK’s regions outside of London and the South East should not be blamed solely upon this sectoral shift. McCann (2016) reminds us that ‘by value-added the UK still contains the ninth largest manufacturing industry in the world’ and that ‘many service industries contribute very little to productivity growth’, whilst countries with smaller service industry bases and larger manufacturing sectors (Germany, Japan, Finland, Korea) ‘experience much smaller interregional inequalities than the UK’. Moreover, in these countries, observed interregional inequalities ‘are not particularly characterised by spatial distinction between manufacturing and service industries’. This leads

Secondary sector real GVA per capita (2007 £) for 1995 (a) and 2007 (b) at NUTS 3 level  
(reproduced from Curran 2012)



Business services and finance industry sector real GVA per capita (2007 £) for 1995 (a) and 2007 (b) at  
NUTS 3 level, (reproduced from Curran 2012)



McCann (2016) to suggest that the UK economy as a whole is much weaker and less productive ‘than much of the London-centric press appear to be aware of or to acknowledge’.

The work of Tyler et al. (2017) helps us to understand the interaction between structural shifts and more specific, local factors that might explain why some localities remain relatively depressed, whilst others flourish. Their research clusters the UK's cities into three groups, based upon their experiences of structural transformation over the past few decades as a result of the shift from a predominantly industrial to a post-industrial economy. Those in Group I are London and cities in the South, which have 'benefitted substantially from structural transformation and have seen strong growth on the back of high-growth sectors, especially KIBS' [knowledge intensive business sectors]. Group II consists of those cities in which have managed to cope with the negative effects of this change and adapted to a post-industrial society broadly successfully, growing at more or less the national average. Group III is made up of cities in the North of England, Wales and Scotland which have seen 'decline or little growth in the traditional mainstays of their economy (mainly in manufacturing) and, at the same time, have been insufficiently able to grow and attract high-value private service activities.'

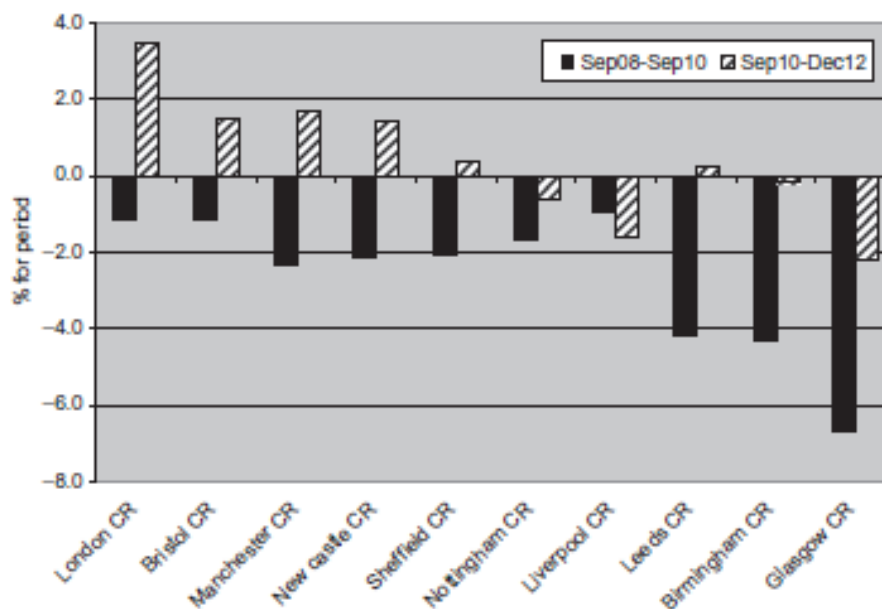
They suggest that 'structural factors cannot in themselves account for the strong growth of cities in Group I', and indeed that something other than structural factors must play a role in shaping the divergence of cities in groups II and II, which have fared differently in their transition from industrial cities. To further disaggregate the analysis of growth patterns, Tyler et al. (2017) suggest that we need to consider both 'between-sector changes' and 'within-sector changes', as well as different rates of entrepreneurship and firm demographics, as well as processes centring on the development of cities' local supply factors. 'Between-sector' changes refers to the rise of some industries and the decline of others – some cities have been fortunate to be at the forefront of growth industries, whilst others have not. Within-sector changes includes the way different parts of the same industry change over time, with the upshot that different cities host firms that belong to the same industry but behave very differently, with the upshot that some cities have gained more from the same industry than others. On the supply-side, Tyler et al. (2016) note that there is a clear path dependency which shapes what a city can offer, arguing 'local areas start with an inherited pattern of land use, a resource base and institutions that were tailored to another era, and the legacy of the past weighs heavily on their ability to adjust to new economic futures'. For instance, whilst Group III cities are 'among the oldest industrial cities with infrastructure, labour forces and a constrained land use pattern to match', Group I cities have tended to be 'New Towns characterised by plentiful and planned land assembly, up-to-date infrastructure and labour with skills more appropriate to the new age'.

This chimes with the findings of Martin et al. (2016), who argue that the fastest growing cities in Britain over the past thirty years, ‘have been those that have been deliberately planned and developed through postwar public policy: the purposive and integrated expansion of population and employment in these centres has set them apart from other cities, with the exception of London’. Other work on the economic structure of urban economies demonstrates the role that the specialisation in particular growth industries has also spurred growth in some cities, and led to a divergence in growth between otherwise ostensibly similar local economies (Clarke et al. 2016).

### *Recession and resilience*

When studying differential contemporary economic performance across space, it is of course necessary to consider the impact of the economic recession and how this has impacted differently on local economies. Townsend and Champion (2014) seek to do this by analysing rolling 12-month averages for local employment data from city regions between September 2008 and December 2012. Their analysis reveals that the period of slow growth between the latter period of 2010-12 was insufficient to reverse universal trends of decline in employment levels between 2008-10.

Change in FT employment, 2008-10 and 2010-12 (reproduced from Townsend and Champion 2014)



Monsson’s (2015) research shows how the impact of the economic crisis must also be recognised as having a spatial effect *within* cities and city regions. Drawing upon the case of Copenhagen and its surrounding periphery, Monsson demonstrates differences between the



‘resilience’, that is the ‘ability of regions to reconfigure socio-economic and institutional structures to develop new growth paths’, of the city-region and the surrounding areas following periods of crisis. This is because the crisis concentrated job losses in low-skill manufacturing and agricultural employment which has hit the periphery harder than the city itself, which is geared more towards the knowledge-based service economy.

As a result of this type of divergence between different local economies since the economic crisis, Sunley et al. (2017) discuss different forms of adaptability, as they are discussed within the literature. Whilst there is no agreement upon which is most significant, Sunley et al. outline three approaches to understanding the sources of cities’ economic adaptability:

- The human capital agglomeration view: emerging from the NEG and NUE literature, this perspective assumes that agglomeration leads to economies of scale, with increasing returns and productivity advantages for the bigger cities. As we have seen, there is no clear relationship between city size and economic performance, as this perspective assumes. However, urban economists have emphasised the argument that the agglomeration of knowledge workers and human capital is key to urban adaptability.
- The Schumpeterian view: this perspective tends to highlight the importance of industrial structure, economic variety and innovation. From this perspective, adaptability means that cities and other localities need to innovate in order to retain their competitive edge, shifting employment away from declining industries towards emerging ones. Most recently, debates from this perspective have highlighted the importance of the application of digital technology in helping to forge ‘smart cities’.
- The institutional view: this perspective focuses on how institutions influence both the supply of educated labour and the launch of new industrial paths. One example of this is the ‘networked relational infrastructure among business and political leaders in the San Francisco Bay Area [which] has been crucial to the city-region’s cognitive frame and openness to innovation and hence to its dynamism’.

## **Local economic development: issues and challenges**

So far, this review has focused on discussing issues around a local economy's adaptation to structural trends, city size and agglomeration effects, and patterns of development across sectors. This section considers some of the other themes that emerge from literatures on local economic development, including more local factors which may shape the prospect of local economic development.

### *The role of 'leadership of place' in local economic development*

Some analyses have highlighted the importance of 'leadership of place' and 'public entrepreneurship' in local economic development. Anderton (2017) concentrates his study on the video games and life sciences industries within Liverpool City Region (LCR). From this standpoint, 'cities are not passive receivers of new global trends'. Instead, leadership is crucial in mediating these trends. Leadership in this sense is not understood in terms of a singular charismatic leader, but rather is viewed as a multi-agency and multi-level activity which is often itself shaped by the institutions and contexts in which it operates. Anderton (2017) demonstrates this through tracing the trajectory of these two industries over the course of a decade between 2005 and 2015, wherein a change of leadership within LCR took place in 2010. Anderton's analysis suggests that the changes made by the new leadership from 2010 affected the life sciences industry, which is more dependent upon public/governmental leadership, when compared to the video games industry which was more capable of self-organising.

Building on accounts which focus on 'leadership of place', such as Anderton's, Rossiter and Smith (2017) suggest that a 'missing ingredient' from the debates is the role of 'public entrepreneurship' at the local level. 'Public entrepreneurship' is seen as 'one of the ways in which leaders 'in' place can draw on and deploy institutional resources (public and private) in order to effect change in pursuit of public benefit'. The authors utilise the case study of Nottingham to demonstrate how local leaders, from both the public and private spheres, were able to harness the institutions in place in Nottingham to forge the successful creation and development of key scientific, educational and private institutions in the City (Rossiter and Smith 2017). Simmie and Martin (2010) similarly draw our attention to the role that differing leadership strategies can play in shaping local economic outcomes, in their comparative study of economic development strategies in Swansea and Cambridge over four decades. They show how, in the 1970s, Swansea responded to its economic difficulties by seeking to attract inward investment and was initially successful in doing so, attracting some important

companies to invest. Yet, as the years progressed, and economic downturns hit the whole of the country, these firms closed their plants and moved out of the UK. In contrast to Swansea, local leaders in Cambridge invested in encouraging small business development and building links with the university, and has seen employment grow steadily (Simmie and Martin 2010).

Whilst this is arguably an unfair comparison, given the strategic location of one of the world's very best universities in one town, the account Simmie and Martin develop is not an outlier and its findings are supported in other accounts; the way in which local leaders seek to prioritise certain sectors over others in the pursuit of growth is crucial. For instance, in a recent study of the Cardiff Capital Region, Crawley and Munday (2017) demonstrate the difficulty of accurately measuring the potential impact of certain industries. They show how a range of different methodological approaches and techniques, as well as varying priorities of local officials, can fundamentally reshape decisions around what to invest in. As such, they call for greater clarity and transparency over the way in which local leaders identify certain sectors as key areas for the local economy to support.

### *Place-based versus people-based approaches*

There is some disagreement within the literature and in policy-making circles over the merits of 'people-focused policy' or 'place-focused policy'. For decades, policy thinking, including that of the New Labour governments – and the World Bank in the international sphere – has promoted the benefits of people-focused policy, which draws upon both the agglomeration thesis of the NUE/NEG literature and the supply-side orientation (role of innovation, human capital, education, et c.) of endogenous growth theory outlined earlier. Such an agenda seeks to both 'upskill' the workforce, allowing individuals to gain better access to labour market opportunities, and for cities to attract higher educated workers to the area, which will have the effect of boosting employment growth and encouraging the development of high-skill work (see Barca et al. 2012). Others argue, however, that people-focused policies which seek to improve the skillsets of local workers 'without corresponding measures to stimulate, facilitate and assist new and better employment opportunities will merely result in the movements of workers to other more prosperous cities and regions' (Clarke et al. 2016). We therefore need a proper conception of the role that demand for labour plays in shaping labour markets, sensitive to local labour market conditions. The 'alignment of land use, investment and infrastructure decisions (particularly relating to transport) across the functional geography of a growing metropolitan area is important so that the "sum is greater than the parts"' (Clarke et al. 2016). As Barca et al. (2012) put it, 'what are apparently space-neutral

policies will always have explicit spatial effects, many of which will undermine the aims of the policy itself unless its spatial effects are explicitly taken into consideration'. Indeed, they are liable to backfire and 'crowd out' the existing labour force (Clarke et al. 2016).

### *Is city growth inherently neoliberal?*

Following work by critical geographers such as David Harvey and Jamie Peck, the neoliberal city thesis has been utilised often to help explain the changing performance and physical landscape of cities and their peripheral regions, which since the 1970s have been deeply affected by regulatory changes, the diffusion of the market ethos and discipline and the growth of financialisation which has reshaped conceptions of space and property in big cities (see Pinson & Journel 2016). North (2017), for instance, utilises this idea to help explore the 'local economies of Brexit' in and around Liverpool – a city which has benefited from substantial EU investment over the past two decades. Whilst some suggest that there is 'a profound territorial 'irony' embedded in the EU referendum results' (Sykes and Andreas Schulze Baing 2017) given the funding support that the EU has delivered to deprived parts of the UK, North's critical perspective suggests that this investment, as a result of the 'neoliberal' agenda of the EU and its support from central governments in the UK, 'was spent on projects facilitating competitiveness, too little on social inclusion'. This has resulted in money flowing into the city centre, to help support the growth of key competitive high-skill industries, but has largely been missing from Liverpool's peripheries – something, North (2017) argues, has helped to shape the way in which different localities in Liverpool responded to the chance to exit the EU. The idea of the neoliberal city has, however, been criticised quite widely for the way in which the concept of neoliberalism has been overstretched which has blunted its analytical precision (see Pinson & Journel 2016; Storper 2016; Le Galès 2016).

Some authors have even begun to embrace the positive aspects of economic 'shrinkage' within certain (albeit often more rural) localities. In a study of depopulation on Sado Island, Japan, Mantalie and Sato (2010) present a picture of Japan's 'shrinking regions' involving: long-term structured out-migration to metropolitan areas; low fertility and population ageing; disintegrating familial and community relations; widening regional fiscal and economic inequalities; loss of local identity due to municipal reorganisations; abandonment of residential and business properties, decline in the quality of the built environment and damage to the natural environment. In qualitative interviews with residents of Sado Island, they found that many residents now accept the inevitability of continued shrinkage and that

‘rather than seeking to reestablish growth, many institutional and social and environmental entrepreneurs are instead working towards achieving community stability and sustainability’ (Mantalie and Sato 2010). That is, they are promoting an edgrowth agenda which accepts depopulation and looks focus on the possibilities this provides in terms of rethinking ‘the way they organise their affairs, to develop new and alternative sets of objectives and to enact a move beyond the current growth-first regime’ (Mantalie and Sato 2010). This can be linked to what Pallagst (2010) calls ‘shrinking smart’ – that is, moving away from ‘growth-centred planning’. Pallagst recognises, however, that this represents ‘unknown territory’ for urban planners, and requires further research which tests and evaluates all options for these shrinking cities.

### *The limitations of focusing on the local*

Despite these apparent success stories, it is important to remember that not all of the literature agrees on the universally-positive nature of locally-focused economic strategies. In their essay, *Avoiding the Local Trap*, Born and Purcell (2006) seek to dismantle what they see as the widespread assumption that local is always desirable, and a common viewpoint which ‘treats localization as an end in itself rather than as a means to an end, such as justice, sustainability, and so on’. The authors put forward a number of objections, including:

- Localisation obscures alternatives: the authors suggest a focus on localisation blocks ‘other scalar options that might be more effective in achieving a desired outcome. For example, a planner who assumes that localization necessarily leads to more sustainable agriculture will fail to pursue the option of, say, a European Union-wide law that mandates more sustainable agricultural practices in member countries’.
- Missed market opportunities: buying locally, Born and Purcell note, ‘can produce economic losses for the community just as easily if the community is missing an opportunity to benefit from another region’s comparative or absolute advantage’.
- Entrenching extant inequalities: even when local consumption does produce economic gains, ‘existing inequalities within the local community can allocate those gains in a way that exacerbates rather than alleviates social injustice’. Moreover, in already rich communities, local investment entrenches inequalities amongst the wider community – for instance, more wealth being contained within the local economy of Kensington and Chelsea would not be good for the rest of London.

- Local-scale food systems can produce divergent outcomes: in some cases it may lead to greater democracy over, say, food-buying decisions, whilst in other cases, it can produce a less democratic decision-making process. For instance, the authors suggest that ‘local’ is often seen to trump other considerations (such as whether food is produced organically and ethically or not). Localisation thus should not be seen to automatically equate to greater decision-making power within local economies.

## Local economic development initiatives

This section assesses the literature on initiatives designed to support local economies to prosper.

### *The Local Multiplier*

NEF has been at the forefront of developing local economies in the UK. Their work has helped to develop the ‘Local Multiplier 3’ or LM3 tool, taking its name from the Keynesian multiplier idea, which helps local authorities to understand the value of local and non-local spending. NEF’s work (see Ward and Lewis 2002) is based on the view that developing the local economy is akin to ‘plugging the leaks’ in a bucket; that is, ensuring that local does not leak out of the local economy, achieved through ‘increasing local linkages in order to make maximum use out of all incoming inward investment, whether its source is government spending, business spending or consumer spending’. The dominant approach, which instead prioritises inward investment, is characterised by several shortcomings, including:

- The number of local authorities competing for investment leads to a ‘race to the bottom’ – diminishing the positive economic impact of the investment
- Companies attracted to one area may just as easily be attracted to move elsewhere if a better offer emerges
- It is a ‘one size fits all’ approach, which does not account for local needs and resources
- Getting the investment into the area ‘isn’t enough’ – rather, ‘it is the linkages that that investment can make with local firms and local people that determine whether or not local people are in fact any better off’

In applying the principles of the LM3 model, NEF argue that there have been positive tangible results. At Northumberland County Council, where the tool was first applied on a large scale, it has been shown that ‘every £1 spent with a local supplier is worth £1.76 to the

local economy, and only 36 pence if it is spent out of the local area. That makes £1 spent locally worth almost 400% more to the local economy'. NEF suggest that LM3 has now been applied to over £13 billion pounds of spending in public private and not for profit sectors, including its adoption by all 26 local authorities in the North East, with over £3.5 billion annual spending and 140,000 suppliers (see <https://www.lm3online.com>).

### *Anchor institutions and the Preston Model*

A related concept is that of building local economies through the use of 'anchor institutions'. In the UK, the work of the Centre for Local Economic Strategies (CLES) has been critical to developing the use of 'anchor institutions' to help grow the local economy, and the town of Preston has become a model for the project (CLES 2017a). An anchor institutions is an organisation which has 'a key stake' in a place, and has significant levels of spend and numbers of jobs, and is unlikely that area to leave due to market forces. Such organisations tend to include local authorities, universities, further education colleges, hospital trusts, and housing organisations (CLES 2015). Anchor institutions are seen as key to the concept of community wealth building 'as a result of the scale of the jobs they provide, the scale of spend through procurement, their land and assets' – the important thing is to ensure that 'the capital and general activity associated with the day to day operation of the anchor institutions is retained within the local economy, as much as possible' (CLES 2015; 2017a).

The project in Preston borrowed from the ideas developed in Cleveland, Ohio by Ted Howard. The Cleveland model involved establishing local cooperatives to bid for service contracts for work from local anchor institutions with large budgets, such as a local university or hospital (see Sheffield 2017; CLES 2015). Cleveland, like many industrial towns in the North of England, has experienced rapid and significant decline in the size of the major manufacturing industries which underpinned its growth – alongside significant job losses through the 1980s and 1990s, the population of the city halved from 800,000 to 400,000 (CLES 2015). In response, organisations such as the Cleveland Foundation, City of Cleveland Economic Development, Cleveland State University, the Evergreen Cooperative, Neighbourhood Connections, and University Hospitals have 'come together to commence a collaborative approach which is focused upon community wealth' (CLES 2015). One instance of how this collaboration has worked effectively in Cleveland is the role of the Evergreen Cooperative which has, over the course of the past few years, set up a range of new worker-owned cooperative businesses (including services such as Evergreen Laundry), which are tackling unemployment in key deprived areas by providing services to anchor

institutions such as Cleveland State University. The University's role has thus been two-fold: acting both as an anchor institution which takes part in the collaborative approach to local economic development through utilising services offered by companies such as Evergreen Laundry, and by working as an evaluator of the emerging impact of the activities undertaken in the area. CLES' evaluation of the scheme in 2015 found enhanced local spending by anchor institutions, including an increased spend of \$140m between 2013 and 2014 by University Hospitals in the wider local county area, and suggested that the scheme was directly responsible for the creation of over 200 jobs for individuals residing in the poorer Eastside of Cleveland (CLES 2015).

In Preston, twelve large institutions were identified as anchor institutions with a combined procurement spend of over £1 billion. Although it was deemed too difficult to rely solely upon the construction of new cooperatives in Preston, as was achieved in Cleveland, CLES has worked with actors in the local community to help them better understand how they can more effectively use their funds to support the local economy. Funding is clear being diverted to existing local coops and businesses, which has helped boost the local economy. For instance, the proportion of Preston City Council's procurement spend with organisations based or with a branch in Preston increased from 14% in 2012/13 to 28% in 2014/15. Moreover, Lancashire Constabulary have used this model to inform its commissioning and procurement practice across the county, and have implemented measures such as: a requirement for a set number of employees with NVQs per £1million of contract value; 31% of project spend being within 10 miles of the site; and 75% on construction value to be through SMEs. CLES (2017) tentatively suggest that the activities undertaken in Preston have 'had an impact on improvements in the city in relation to the Index of Multiple Deprivation and upon quality of life, with a Demos and PwC16 report recently highlighting Preston as the best place to live and work in the North West of England'.

### *Progressive procurement*

A not dissimilar project has been undertaken in Manchester over the past few years. The Manchester 'model' has involved the development of sustainability principles in the procurement policy of Manchester City Council (see CLES 2017b). In 2009, Manchester City Council asked CLES to help them analyse and further improve this practice. The council has attempted to ensure that its procurements spending 'reaps maximum local economic, social and environmental benefit for the city's communities' (Jackson 2010). As Jackson (2010)



outlines, progressive procurement policies ‘are receptive to, and considerate of, local economic, social and environmental benefits’. Its guiding principles include:

- Using a local supplier to provide specific goods or services, which can lead to employment opportunities and job creation, as well as sustain existing jobs and have benefits for the wider supply chain
- Employees and suppliers of organisations procured to deliver services and provide goods will spend money within local economies in shops and upon suppliers of their own;
- The choice of supplier, particularly in the construction sector, is important for skills and apprenticeships. As such, local authorities can support the development of local labour through reflective clauses around training and apprentices.

CLES’ research (Jackson 2010; CLES 2017b) reveals the positive impact of this shift towards ‘progressive procurement’. The analysis finds that in the financial year 2008/09, out of its total spend of £184 million with its top 300 providers, Manchester City Council spent 51.5% on organisations within a Manchester City Council boundary postcode or with a branch within the local authority boundary. This figure compares very favourably to other areas studied by CLES, such as Swindon (31.7%) and West Lothian (11.8%). Moreover, when including the whole region of Greater Manchester, this figure rises to 86.5% of all spend with the top 300 suppliers. Using this data, CLES estimate that ‘5225 jobs are supported for Manchester residents through Manchester City Council’s spend upon the top 300 suppliers’.

### *Keeping business ‘local’*

Evidence from the US suggests that even among private businesses, ‘localism’ has benefits for the wider community. In a study comparing local merchants and chain retailers, the think tank Civic Economics (2002) found that locally-owned retailers have a greater relative impact upon the local economy. The study compared the local economic impact of three bookstores – Borders (national chain) and two locally-owned stores – in Austin, Texas. They found that the local merchants ‘spend a much larger portion of total revenue on local labor to run the enterprise and sell the merchandise’, that they ‘keep their modest profits in the local economy’ and ‘provide strong support for local artists and authors, creating further local economic impact’. Overall, it was found that that the Borders store generated a total local economic impact of \$820,000, compared with BookPeople’s \$2.8 million and the \$4.1 million of Waterloo (Civic Economics 2002). In a similar study conducted five years later,

this time focused on office supply businesses in Arizona, Civic Economics (2007) find a similar story. In their comparative study of ‘Wist’, a large independent retail in the local area, and ‘Office Max’, a national chain, Civic Economics (2007) argue that ‘the local firm generates nearly three times the economic impact’. The study breaks down the two companies supply chains to study their spending on labour, the local procurement of services, charity donations, their distribution operations and their generation and use of profit. For instance, whilst Office Max employed local workers, it had only a small local management team, with most management located in their national headquarters in Illinois. Wist, on the other hand, based their entire management and administration operation in the local area. Analysing the supply chain in its totality, the authors argue that 33.4% of Wist’s revenue remains in the local economy, compared to 11.6% for Office Max.

Goetz and Fleming (2011) utilise county-level data on the residence status of firms owners in order to assess whether the density of locally-owned businesses affects local economic growth. Their analysis reveals a ‘remarkably robust’ positive relationship between density of locally-owned firms and per capita income growth, though this holds only for small firms (10-99 employees). Medium and larger firms, on the other hand, ‘appear to have the opposite effect, especially when they are not locally-owned’ (Goetz and Fleming 2011). There is, moreover, some case study evidence to support the role of local firm ownership in the UK. Localise West Midlands (see Leach 2013) conducted research examining the impact of a more localised economy, characterised as having higher levels of small businesses and local ownership. Their research, which covers a case of cases in Birmingham and the West Midlands, suggests that there is evidence that such localised economies ‘perform better across a range of economic and other domains (especially in disadvantaged and peripheral areas) than economies more dependent on centralised economic actors and in particular on what can be termed “absentee landlords”’. Their work contends that the greater localisation of economies provides benefits for the local economy because locally-owned firms are more likely to support their workforce and local communities which has the result of tackling social exclusion .

### *Financial inclusion initiatives*

The Financial Inclusion Project in Leeds has been shown to have had a significant impact on improving the financial inclusion of disadvantaged groups (Dayson et al. 2008). Started in 2003, the project seeks to deliver affordable credit, advice around debt and money issues and improve financial literacy. To do so, the project involve creating credit union branches, the

unification of the city's five debt advice providers, and the co-development of financial literacy packages for young children. Dayson et al. (2008) have studied its impact through surveys with local stakeholders and cost-benefit analyses of the services provided. They found that 66% of users of debt advice stated that they were better off financially as a result of the intervention, whilst the financial inclusion work was found to have delivered up to £26 million of increased disposable income to Leeds. This extra income was found, moreover, to have an enhanced local impact ; that is, 'for every £1 spent in the local economy by financial inclusion service users, an additional £0.25 of spending in the regional economy is generated' (Dayson et al. 2008).

### *Local currencies*

NEF (2015) have produced a comprehensive guide to the power of local currencies. Their report looks at the history of such currencies, as well as their objectives and even provides a guide to their design, delivery, implementation, communication and evaluation. They suggest that local currencies can promote social, economic and environmental objectives in four key ways:

1. **Democratising services and organisations** – as public service provision becomes increasingly monetised in the context of austerity, local currencies can alter the dynamics of increasingly monetised relationships, 'reinvesting them with social meaning'.
2. **Supporting the SME economy** – local currencies can be designed to support local SMEs over big national corporate companies by assisting businesses with 'operational aspects, such as purchasing supplies, incentivising sales and paying staff, helping them to improve productivity and become more resilient to changes in the wider economy'.
3. **Countering inequality and social exclusion** – local currencies can be used to 'oil the wheels of social participation'. For example, 'credit-earning sessions allowing qualified but unemployed hairdressers to practise their skills and build up their haircutting experience also facilitate socialising'.
4. **Addressing environmental impacts** – local currency can 'function as a savings and reward system where credits earned through environmentally friendly activities, such as switching to a green energy provider or bringing domestic waste to the local recycling centre'.

The success of local currencies varies, but there are a range of success stories from a variety of different cases. Amongst the most well-known is the Brixton Pound which has developed significantly in recent times and now even utilises contactless payment technology. The positive impact of the programme has been felt by locals too, with the NEF research showing that of those using the currency:

- 70% reported that they had got to know local business owners better as a result
- 55% that it had made shopping more convenient
- 88% that it was good to be spending in a way that supported local values, and
- 82% that it had reinforced their pride in Brixton

A study by Kim et al. (2016) seeks to investigate the successful conditions and implementation strategies of local currency movements by looking at five local currency movements, including the Lewes Pound. It finds that local currencies perform well in less populated or geographically isolated areas, as well as communities with comparatively lower levels of household income, suggesting that local currencies could benefit a wide range of communities.

### *Local authority financing: initiatives to leverage investment*

As Cox and Schmuecker (2013) argue, until the late 1970s local authorities in the UK had considerably more autonomy when it came to raising funds through borrowing. Today, there are two channels for LAs to borrow through – the Public Works Loans Board (PWLB) and municipal bonds – yet the PWLB remains controlled by central government and raising funds through municipal bonds is expensive for individual LAs. Looking around Europe, they suggest that there are other examples of local economic development initiatives which have been successful and could be utilised to improve the situation for LAs in the UK. In Sweden since the 1980s, a local government funding agency, Kommuninvest, has transformed local financing practice (Anderson 2011). Kommuninvest issues ‘AAA’-rated bonds in the financial markets, priced at rates just slightly over Swedish government bonds, providing a cheap source of borrowing for local authorities. The agency operates on behalf of 90% of all local authorities in Sweden, and has helped them to borrow significant amounts of money - in 2010 alone, Kommuninvest raised more than £13 billion, over half of all local authority borrowing in the country. Anderson (2011; Cox and Schmuecker 2013) has suggested that there is little reason why the UK could not adopt a similar approach to local authority funding. The example of the Kreditanstalt für Wiederaufbau (KfW), the German state-owned development bank, also has potential for the UK. The KfW is owned mostly by the German

federal government, but local governments have a 20 per cent stake, and as well as state funding, it receives funds from its own investments. It uses these funds to help local authorities invest, and in 2010 lent €6 billion available for infrastructure investment and helped create or secure 124,000 jobs (Cox and Schmuecker 2013).

## Devolution

Many decades of highly centralised government in the UK has worked well for some parts of the country, but clearly not for others. The economic disparities which have emerged from this centralisation of power have deeply political roots. Elcock (2014), for instance, examines the historical impact of centralised power on the North East. His account details the way in which the ability of the North East, England's worst performing region which has been historically led by Labour local authorities, to represent its interests have been 'hampered by the instability of its local and regional institutions, which have been repeatedly changed at the behest of successive sovereign central governments and became increasingly matters of political contention after 1979'. The sovereign powers invested in central government in the UK have politicised the relationship between the central site of political and economic power (London and the South East) and other parts of the country. Elcock compares this to the constitutional make-up of the German Laender, for instance, which can only be amended by a two-thirds majority in the Bundestag. The strength of this more devolved system thus provides political stability which is fundamentally lacking from the UK model.

There has of course, under both the New Labour governments and the Coalition and Conservative governments since 2010, been a shift towards the greater devolution of power to regional and local authorities. This section begins by examining the literature around these developments, before looking briefly at how some of the literature has sought to further develop and build upon the existing settlement, pushing a more progressive devolution agenda.

### *The performance of Local Enterprise Partnerships (LEPs)*

Under the Coalition government and the following Conservative governments, there has been a move towards a greater local, rather than regional, focus to devolution strategy. A key part of this was the Coalition government's replacement of New Labour's Regional Development Agencies with 39 Local Enterprise Partnerships (LEPs). These LEPs 'were created through a relatively bottom-up process across England, largely reflecting local partners' perceptions of

the natural economy of their area (and/or the real politics of local cooperation)’ (Hildreth and Bailey 2014). Support for this strategy came also in the form of high level reports at the time, including the Heseltine Review (2012) which called for a ‘very significant devolution of funding from central government to Local Enterprise Partnerships’. Following this, the government agreed a range of City Deals, making powers available to city leaders to deliver growth and jobs. Part of this strategy, the government claims, is about promoting a ‘place-based’ approach that: ‘...recognises that places have specific geographic, historic, environmental circumstances that help to determine the prospects for growth and the most suitable approach to support the private sector and residents’ opportunities’ (HM Government, 2010 cited in Hildreth and Bailey 2014).

However, Hildreth and Bailey suggest that there are limitations to the way in which the government has sought to pursue this agenda through the development of LEPs. The LEPs framework, they suggest, does not work appropriately in all cases, and as such it creates ‘a ‘missing space’ between the national and the local which the present policy in England fails to address’. They argue, for instance, that outside of the larger city-regions, LEPs ‘commonly lack appropriate geography’. Whilst some LEPs were created based on limited sub-regional geographies, some were ‘influenced by who partners get on with or not, rather than any systematic economic analysis of spatial economies’. Moreover, they have been underpinned by the idea of a ‘natural economy’, which is seen to work well for cities like Manchester and Leeds, but fails to understand ‘gateway’ cities such as Hull, and ‘industrial’ cities such as Blackburn and Burnley, where ‘the geography of their labour markets is contained within a limited space and their economies ‘isolated’ in relation to other places’ (Hildreth and Bailey 2014). The consequence of this, Hildreth and Bailey suggest, ‘is likely to be a widening institutional capacity gap between places in responding to the challenges of their local economies’ – that is, a widening gap between the local and national in the absence of effective multi-level governance operating at the regional level.

Rossiter (2016) provides further analysis of the impact of LEPs in the development of local economic strategy by utilising the case study of the East Midlands over a two-decade period, wherein LEPs replaced New Labour’s Regional Development Agencies. Rossiter compares the strategic economic planning under the two bodies and find stark differences. He reports that the regional strategy devised under the East Midlands RDA took 22 months to develop, and was well staffed and resourced, compared to the 6 month period it took for a similar report to be delivered by the LEP, which had much less funding and staffing. Rossiter notes

that whilst this would be hailed by some as evidence of the government's successful drive to cut bureaucracy and expenditure, the consequence of this new approach was a much narrower focus – 'largely at the expense of environmental sustainability and social equity considerations', with economic growth defined within the LEP report almost exclusively in terms of private sector employment creation (Rossiter 2016). Sissons and Jones (2016) perform a similar task in relation to skills policy, as agreed under the Sheffield City Deal. They find that the City Deal 'is only a partial treatment of the area's skills issues'. They criticise the way in which, although localised, the skills devolution programme follows a nationally orchestrated supply-side orientation focused on up-skilling the workforce. In many key sectors in the Sheffield area, they note, such as care, hospitality and retail, 'it tends not to be skills gaps but rather the underutilisation of workforce skills which is the dominant issue, as well as related concerns about low pay and poor career progression' (Sissons and Jones 2016). From a critical perspective, then, the central government has passed the buck on in terms of successful labour market outcomes – shifting responsibility on to local areas, whilst ignoring underlying problems relating to demand.

### *The limits of the current devolution agenda*

The Coalition government further pushed its devolution agenda through the 'Northern Powerhouse' concept from late 2014. The Northern Powerhouse agenda, developed under George Osborne, seeks to build links between the core cities of the North of England through improved infrastructure, transport and education alongside the greater devolution of powers to local mayors et c. This strategy, despite its attempt to shift emphasis from the regional to the local, has been driven by a familiar agglomeration thesis, wherein the clustering of several core cities in the North of England is viewed as integral to the development of the North as a whole. Yet, the underlying premise of this argument has been challenged.

Drawing on the work by Martin et al. (2014) already mentioned, which demonstrates that smaller cities and towns have performed more strongly than bigger cities in terms of growth and productivity, Cox and Longlands (2016) argue that there needs to be a more sophisticated understanding of the urban system in the North. They argue, for instance, that these smaller and medium sized cities (SMCs) (or larger towns) are 'too big and too productive to be ignored' within the context of the UK's devolution plans. Indeed, they note, for instance, that Wigan and Burnley 'have higher labour productivity rates than nearby Manchester'. As such, they suggest that the natural agglomeration theories which underpin HM Treasury and National Infrastructure Commission thinking should be challenged, and there should be a

reappraisal of the methodologies they apply when considering devolution strategy. Moreover, they argue that LEPs and combined authorities ‘should do more to acknowledge the role of SMCs in relation to bigger cities’, whilst the SMCs themselves also must be more active in ‘identifying and articulating their unique role within the wider urban ecosystem’. The Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England produced a report which echoes the sentiment that smaller and less urban areas should be more central to the devolution agenda (see NMC 2015). They note that non-metropolitan areas (NMAs) are amongst the most economically productive regions of the national economy, ‘driving growth, Foreign Direct Investment (FDI), competitiveness and employment’. Their recommendations include:

- Encouraging further investment in NMAs by encouraging locally-led promotion of Foreign Direct Investment in local areas that complement and add value to the existing UK-wide approach.
- Taking decisions on spatial and transport planning at the level of the economic area through the groupings of boroughs
- Establishing council-led local development corporations to own land, fund and provide infrastructure, plan and commission the construction of significant housing developments
- Adopting a strategy for future digital infrastructure which radically overhauls the current model of funding and commercial viability

Another aspect of the devolution agenda which has been critically analysed is the devolution of business rate revenue to English local authorities. Whilst this act ‘has been cast as a far-reaching act of fiscal devolution, with the explicit aim of enhancing local economic growth by providing financial incentives to local authorities’ by central government, Mor and Sandford (2017) clearly outline its limitations. They note that the policy is based on the assumptions that local authorities can easily increase their business rate, that business rate revenue correlates with growth, and that the structural effects on local authority behaviour are negligible. Their findings, which rely upon the first analysis of the scheme using new data from the 2010–17 valuation list for England, challenge all three of these assumptions. Whilst the government has promoted the idea as ‘incentive-based financing, intending to prompt local authorities to grow their local economies’, the authors argue that the business rate revenue scheme ‘is not a game of chess, where players start in an equal position and progress



via skill; it is more akin to a card game, where players' strength is dependent on the cards dealt' (Mor and Sandford 2017).

The government's devolved skills strategy foresees a growing relationship between LEPs and further and higher education institutions, designed to both cut bureaucracy at the national level and respond more efficiently to local skills shortages. Nevertheless, a CLES (2016) report suggests that current measures do not go far enough. Their work finds that policy around skills 'is still dominated by the centrally focused SFA and National Apprenticeship Service (NAS)', with places still experiencing 'limited control over how provision is run, to the detriment of people they are seeking to support'. CLES (2016) offer several avenues for further devolving skills policy successfully, and draw upon a range of case studies to highlight best practice. Initiatives they highlight include, for example, local Employment 'Hubs', such as the Employer Hub in Nottingham, which seeks to engage local employers and 'broker' local people (with a range of skills) and those furthest from the labour market into opportunities.

The government's 'city-first' approach, whereby growth is delivered via agglomeration, has been criticised for having 'the potential to exacerbate uneven development in cities but also further entrench it in places external to the city-region' (Beel et al. 2016). As Beel et al. (2016) point out, agglomeration practices fail to deliver 'even growth' and the desire to relax planning constraints in urban areas for 'growth' 'suffers from 'short-term' thinking that focuses upon the centres of successful agglomeration examples whilst ignoring the uneven growth this creates'. For devolution to flourish, they argue that the current settlement must go further and develop upon several key 'missing links', including:

- There is a need to think through which actors in society are empowered or disempowered by these processes and who gets to mobilize policy discourses around devolution, as well as in what ways they coalesce to produce the city-region.
- Rather than 'trickle down', there is a need to think about social reproduction and infrastructures – to dig down to the 'lived' experience of the city-region and the ways in which policy begins to impact upon the daily lives and institutions within the city-region state space
- The city-region discourse 'purposefully ignores the tensions it creates when redefining political boundaries by purposefully creating multi-authority territories'.

LEPs equate only to the rolling forward of existing centrally-orchestrated policy regimes.

In a later paper, Beel et al. (2017) apply this type of thinking to analyse the devolution agreement in Manchester. Based on stakeholder mapping and semi-structured interviews with key actors operating across the Greater Manchester City-Region, the paper illustrates how the devolution agreement ‘has created a number of significant tensions and opportunities for civil society actors, as they have sought to contest a shifting governance framework’. They suggest that the Manchester case demonstrates that if growth is to be inclusive, the ‘model has to change and devolution has to find ways to offer opportunities that significantly move beyond the model that has been laid out by central government’.

### *What role for third and voluntary sector organisations in devolution?*

Part of the current devolution programme and the government’s agenda around localism, and indeed the now defunct concept of the ‘Big Society’, is about fostering greater links between local economic actors and wider civil society. The role of such groups in supporting local economies is clearly important, but it remains a contested issue. Beel et al. (2017) call, for example, for the third and voluntary sector organisations to be brought further into processes of devolution and city region building. This idea has also been supported by CLES (Jackson 2014). Jackson argues that the voluntary and community sector (VCS) must play a greater role in LEPs, given the key role that the VCS plays in providing services and contributing to local economies. He suggests that they should have a ‘defined role in LEPs in representative, strategic and delivery terms’, involving: stimulating social enterprise by combining LEPs ‘business intelligence with voluntary and community sector’s knowledge of local social need’; addressing employment and skills gaps by drawing on the VCS’ capacity to help build pathways back into work tailored to local situations; promoting social innovation, given that the VCS often has first-hand experience of working with local service users; enabling social inclusion by helping LEPs to effectively administer resources to those in need.

This process is, nevertheless, fraught with potential dangers – as Beel et al. (2017) clearly acknowledge. They cite cases in the USA from the 1980s where, following the ‘trajectory of neoliberalisation of inner-city welfare provision’, the central state increasingly vacated its position as a service provider and these functions were fulfilled by the VCS. Yet, overburdened and under-resourced, there was a rapid disintegration in the ability of the third and voluntary sector to deliver services, leading to significantly worse outcomes for the local areas impacted (Beel et al. 2017). This leads the authors to suggest that caution must be taken

when seeking to devolve powers and provide room for the VCS to help support local services.

### *A more progressive devolution agenda*

There is a growing critical literature which suggests that recent devolution initiatives have reinforced the subservience of disadvantaged areas to London and the South East, circumscribed the parameters of state intervention and local public policy, and indeed represent new forms of centralisation and ‘conditional’ localism (Berry and Hay 2014; Berry and Giovannini 2017; Hildreth 2011; Pike and Tomaney 2009; Tomaney 2016; although see also Haughton et al. 2016; Macdonald 2017). It is important to recognise, as MacKinnon et al. (2015) warn, ‘the capacity to foster local and regional development is a necessary, *though not sufficient*, component of any national growth model’. Indeed, taking on an institutionalist perspective, Brownlow (2017) makes the point that path dependencies relating to the historically uneven development of institutions and infrastructure necessary to secure growth mean that devolution will fail to provide a significant ‘economic dividend’ in the context of piecemeal and asymmetrical devolution. The geography of institutions matters more than simple process of decentralising decision-making authority (Brownlow 2017).

However, these analyses should not dissuade us of the potential that devolution offers for progressive politics. The dominant approach can be challenged. SPERI and CLES (2016), to give one example, have sought to map out the parameters of what they see as a more effective and just devolution agenda, by more appropriately addressing economic, environmental and social concerns. One of its key focal points is the reconstruction of the centre; they note that whilst ‘great attention has been placed on decentralising policy powers away from the national government, there has been relatively little on how the centre will reform and relate in new progressive ways to the peripheral cities and regions’. Their recommendation includes Whitehall departments relocating their core functions away from London to address the imbalances the current centralisation of power brings. Furthermore, they support a more inclusive agenda, wherein local economies are pushed to thrive in interaction with each other, not in competition to accrue the greatest benefits from agglomeration. The SPERI/CLES report asks a manifesto for a more progressive devolution, outlining 11 key ideas to support this, including:

- More local control over employment policy and support
- New powers to develop local solutions to the housing crisis

- Devolution and integration of all transport governance
- Freedom for and engagement with local anchor institutions
- Localising the banking sector
- Enhancing the role of universities in local economies
- Localised mechanisms for distributing National Lottery funding

## Conclusions

It is absolutely right that progressives begin to consider the nature and performance of local economies. It is of course understandable that we have tended to focus on regional economic inequalities (and, even more broadly, the so-called ‘North-South divide’), since such inequalities at the regional scale are more stark in the UK than most other advanced capitalist countries. However, significant inequalities can be present within regions, whether the region as a whole is prosperous or poor. Indeed, the Brexit vote was a valuable reminder that even major urban centres – considered key to the UK’s future prosperity within orthodox elite thinking – house sometimes monumental differences in life chances between different groups and communities. The ‘losers’ and ‘winners’ of ‘globalisation’ often reside side-by-side. This does not mean that place has no place in the determination of inequality, but rather than we need to work harder to understand how social class and economic geography interact.

The Brexit vote has alerted many social scientists to such dynamics (Goodwin and Heath 2016; Hobolt 2016; Toly 2017; Watson 2017), but they had of course been increasingly identified by political economists since the financial crisis (Azmanova 2011; Kreise et al. 2008). More generally, while many people might identify with a region in political and/or cultural terms (as well as the nation), their economic life is in practice both more local, and more international, than such patterns of identification suggest. Even within a single city, local economies often exhibit very distinct, local characteristics (albeit shaped by broader trends such as deindustrialisation) and therefore play very different roles, perhaps paradoxically, within highly internationalised production networks.

It is this, above all, which requires progressives to be attuned to local economic circumstances – without, at the same time, abstracting local economies from their broader regional, national and international contexts. There is a tendency in the literature which *has* focused on local economies to ‘bracket off’ structural context – matching a tendency among some political economists and economic geographers to overlook the local. We simply have very little reliable granular data on sub-regional economies in the UK and, as importantly, the economic interactions between different localities (and too few experts able to analyse the data we do have).

Local economic development clearly represents a new (or newly intensifying) element of the progressive dilemma. This review has highlighted some examples of innovative, progressive policy at the very local level. While it has been difficult to scale up such practices (almost by definition), they are clearly making a material difference, to some extent, for many people's lives, often in very disadvantaged areas. This is good in-itself, but may also, over time, help to build a durable coalition for progressive action through national institutions. The left cannot afford to ignore the local, even as it recognises the limitations of local actions.

Many of the most valuable ideas for local action are based on new understandings of how local economies function. Progressives are beginning to better understand the role of 'anchors' within local supply chains, the importance of the foundational economy to both individual well-being and developmental prospects at the local level (Bowman et al, 2014), the role of public investment in industrial clustering (Wind-Cowie 2017), the importance of local leadership, and biases within private investment practices (Berry 2014; Hutton and Lee 2012). This has led to important work on community budgeting, local financing (banks and other financial institutions such as pension funds), the role of public procurement in supporting local firms (particularly co-operatives).

Of course, local economies clearly cannot sustainably prosper without the appropriate hard, soft and digital infrastructures which provide the bedrock of economic life. Decisions over investment in and the maintenance of such goods are often beyond the scope of local government (justifiably so, in most cases). But central (and, where relevant, regional) government must be committed to a fair distribution of support for infrastructure, with local stakeholders contributing to strategic decisions over resource allocation. There are clearly areas of economic life where local authorities could be exercising more power directly – but recent devolution initiatives have been limited, or even duplicitous. Progressives should support much more extensive devolution when it comes to the powers that shape how private enterprise (including employers, investors, land-owners, etc.) operates locally – this would not detract at all from the maintenance of justice-based entitlements, and the establishment of high-level development strategies, at the national level.

Essentially, the left should embrace devolution by way of acknowledging the importance of institutions in embedding progressive approaches to local development over the long term. There will also be debate over the appropriate place for progressive policy action – the local, regional, national and international realms will all have a role to play in any comprehensive approach to economic justice. The key point here is that it is only by looking at the economy

through a local ‘lens’ can we see more fully the role that capitalism plays in shaping people’s lives. Efforts to manage or mitigate this dynamic need not be solely local, but if the local is not part of our thinking, it is hard to see how (economic) justice can be done – and harder still to see how disparate communities will be brought together to pursue mutually beneficial objectives.

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