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*Powerhouse of cards? Understanding the “Northern Powerhouse”*

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*Abstract*

The ‘Northern Powerhouse’ is the UK government’s latest attempt to reduce regional disparities. By bringing together the cities of the north into a functional economy, the aim is to create an agglomeration with the scale to counterbalance London. This paper summarises and critically reviews this agenda. While sympathetic to the basic idea, it argues that the Northern Powerhouse is a vague and problematic concept. It can be understood both as an economic development strategy and a political brand, giving focus to disparate and often pre-existing policies. It has meant new resources and institutional change, but is geographically fuzzy with insufficient funding to achieve its unclear aims.

*Keywords:* Rebalancing; Northern Powerhouse; North-South divide; Agglomeration

*JEL:* O1; O2; O18; O21

## 1. Introduction

The UK has large and entrenched spatial disparities. The latest attempt to address them is the Northern Powerhouse, a policy agenda led by George Osborne, Chancellor of the Exchequer. The emergence of the Northern Powerhouse reflects longstanding concerns about the North-South divide and the need for spatial rebalancing, the centralised British state (COLOMB & TOMANEY, 2014), and research highlighting the economics of agglomeration (e.g. WORLD BANK, 2009; GLAESER, 2012; CITY GROWTH COMMISSION, 2014). The central idea is that if the northern English cities were joined into a single functional economy they would have the scale to counterbalance London. Osborne has set out his case as follows:

“Modern economists have spoken about the economic benefits when a critical mass of people, businesses and infrastructure are brought together in a large city. The whole is then greater than the sum of its parts. Our great northern cities represented here individually are quite small on the global stage - but combined they rival in size London or New York or Tokyo.

It was this opportunity to create a Northern Powerhouse that I identified earlier this year. I said that if we can bring our northern cities closer together – not physically, or in some artificial political construct – but by providing modern transport connections, supporting great science and our universities here, giving more power and control to civic government; then we can create a Northern Powerhouse with the size, the population, the political and economic clout, to be as strong as any global city.”

The Northern Powerhouse is a significant agenda. It is a spatially focused policy for national economic growth and an explicitly interventionist approach from a traditionally laissez-faire government. It is the latest phase in the rebalancing agenda (HILDRETH & BAILEY, 2013; MARTIN et al., 2015), the debate about city-regions (HARRISON, 2012) and builds on calls for urban areas to be the focus of efforts to reduce regional disparities (OVERMAN & RICE, 2008). The agenda has international implications: like the 2009 World Development Report, it shows the policy influence of agglomeration economics, and it represents the next phase of devolution in a centralised country. It has achieved a level of interest amongst the UK public far higher than ‘normal’ economic development agendas. Yet the Northern Powerhouse is also a fuzzy, problematic concept. It is not a defined institution or plan, but a vague idea which has shaped government policy and political rhetoric. Initially seen as developing from the Manchester model of government (DEAS, 2014; TOMANEY and MCCARTHY, 2015), it now includes most of the North.

*Insert figure 1 around here*

There are two main ways to understand the Northern Powerhouse. The first is that it is a strategy – a long-term focus of policy action around a single goal. The second is as a brand, a label which can be applied to often pre-existing policies to give them coherence, focus and portray the government as acting for the North. This paper is sympathetic to the idea that some sort of targeted attempt is necessary to rebalance the

economy: the Northern Powerhouse agenda has certainly led to some new funding for the North. Yet while the general concept is a good one, new resources have been relatively limited, particularly given reductions in finance elsewhere. Given the significant resources which would be needed to achieve the government's vague aims, it seems more like a brand first and a strategy second.

This paper presents a review of the Northern Powerhouse from its conception to the March 2016 Budget. It is based on the evaluation of government documents and speeches and a series of semi-structured interviews with civil servants, researchers and an MP. It begins by setting out the theoretical, economic and political context in which the concept has developed. It then summarises the agenda as set out in both government documents and political speeches, and considering policy on the four 'ingredients' Osborne has set out: transport, devolution, science and innovation, and culture. It then considers the considerable fuzziness of the concept: its geography, funding, the theoretical ambiguity of the agglomeration literature and its relationship with existing institutions. The paper then concludes with an evaluation of the agenda and the extent to which it is an evidence based economic development strategy for the North or a politically motivated branding exercise.

## *2. The economic, political and theoretical context of the Northern Powerhouse*

Economic disparities between London and the North of England are large and growing. In 1997, London's GVA per capita grew from 157% of the UK average in 1997 to 169% in 2013. Most northern regions lost ground. The North West fell from

85% to 84% while Yorkshire and Humber declined from 83% to 80%. The North East's relative performance increased, but barely: from 72% of national GVA per capita to 73%. This was despite a relatively favourable context: the Labour government (until May 2010) was committed, at least rhetorically, to reducing regional disparities; relatively well-resourced Regional Development Agencies (RDAs) were intended to reduce them, and; many expected the financial crisis to hit London hardest (LEE, 2014; GORDON, 2015).

London's strong economic performance has been accompanied by growing interest in the economic benefits of agglomeration. But newly influential research has provided a theoretical and empirical basis for longstanding concerns that the northern cities could function better as a single economic unit. Martin et al. (2015) describe two related schools of research, the New Economic Geography (NEG) and the New Urban Economics (NUE). Both focus on agglomeration and the idea that the uneven distribution of economic activity can be the equilibrium (and optimum) outcome of market forces, although NEG is more focused on rural / urban links and NUE with systems of cities. Building on Marshall (1920) they highlight three agglomeration economies which increase productivity with city size: linkages between businesses; improved matching between specialised workers and firms, and; knowledge spillovers between economic actors.

The link between agglomeration and productivity has become a basic tenet in policymaking. Academics such as Ed Glaeser and Richard Florida have published mass-market books stressing the economic importance of cities. Government

documents have also stressed the link (e.g. BIS, 2010) as have Osborne's speeches on the Northern Powerhouse:

“Over recent decades economists have explored all the different reasons why cities raise their residents' productivity: specialisation is greater, competition and economies of scale increase, ideas and innovation spread faster.”

Osborne, 2014b

Empirical work has also considered the relationship between economic mass and the economic performance. In their meta-analysis of studies quantifying agglomeration economies, Melo et al. (2009) show that agglomeration generally increases productivity, but that the effect size varies significantly across places. In a study commissioned by Manchester's local government, Overman et al (2009) show that firms in London are more productive than those in the rest of the country, but that those in Manchester and Liverpool outperform the rest of the North. The study cautiously recommended transport connections as one way of improving productivity, where benefits exceeded costs.

The Northern Powerhouse is the latest stage of the rebalancing agenda. Based on an understanding that, while agglomeration may matter for economic success, it is not the only driver, the OECD argued that lagging regions were not a “drag on national performance” but “potential assets to be exploited” (OECD, 2012: 1). For a government seeking to raise growth rates, this represented an opportunity. The rhetoric was clear in the 2014 Autumn Statement, which argued that:

“If the government could raise the growth rate of the north to the projected rate for the country as a whole between now and 2030, it would add £56 billion in nominal terms to the northern economy, in real terms, over £1,600 for each person living in the north.”

HM TREASURY, 2014: 51

There are also political reasons why the Conservatives would gain from a Northern focus. The Conservative party has long been perceived as weak in the North (MCDERMOTT & ALLEN, 2015). The Northern Powerhouse helps address this. First, it is a clear, easily understandable message about growth in the north. Second, it provides a ‘brand’ for policies which can then be labelled as being part of the Northern Powerhouse. These policies are visible, allowing photo-opportunities, and place based, so well targeted. And the strategy lends itself to a sound-bite, being simple, focused and offering a clear message.

A focus on the north also fills a political vacuum as England lacks a regional tier of government. Under the Labour administration of 1997 – 2010 “Regions” were important areas of policy. But under the Coalition, the main regional bodies – the RDAs – were scrapped and replaced by Local Enterprise Partnerships (LEPs). This left a variety of institutions responsible for economic development in the north, but no strategic overview for the north as a whole. This fragmented structure is increasingly seen as a problem, with high-profile OECD research suggesting fragmentation associated with lower productivity (AHREND et al., 2014).



Support for devolution has been increasing for some time. Local government in the UK has relatively little autonomy: central government raises 95% of taxes (THE ECONOMIST, 2015). The state has been resistant to change and the public largely indifferent: in 2004 the electorate rejected regional assemblies; in 2012, residents in 10 of 11 cities offered a vote for elected mayors voted no. The exception is Scotland, which received new powers following a narrowly lost independence referendum in 2014 – leading to calls for devolution to the similarly sized English regions (WATT, 2014). But a set of influential think-tanks – including the Centre for Cities, the City Growth Commission from the Royal Society of the Arts, and IPPR North - had been lobbying for devolution. Political interest was also spurred by Lord Heseltine’s (2013) report which argued devolution would help economic growth. In this context, an old idea - that a single northern mega-region would boost economic productivity – returned.

### *3. “Ingredients” of the Northern Powerhouse*

The idea of a northern mega-city is not new. In 2004, Deputy Prime Minister John Prescott proposed a city running from Liverpool on the West Coast to Hull on the East (LG CHRONICLE, 2004). These ideas were watered down and became the Northern Way, an attempt to develop a pan-northern growth strategy by coordinating long-term policy interventions (see GOODCHILD & HICKMAN, 2006; LIDDLE & ORMSTON, 2015). While generally seen as successful, it had nothing like the political brand or popular appeal of the Northern Powerhouse, and was abolished in

2010 along with the RDAs, leaving a vacuum for strategic economic development in the north.

The term “Northern Powerhouse” was first used by Osborne in his speech to the Manchester Museum of Science and Industry (MOSI) on the 23<sup>rd</sup> June 2014. Osborne (2014b) announced that:

“The cities of the north are individually strong, but collectively not strong enough. The whole is less than the sum of its parts.

So the powerhouse of London dominates more and more.

And that’s not healthy for our economy. It’s not good for our country.

We need a Northern Powerhouse too.

Not one city, but a collection of northern cities - sufficiently close to each other that combined they can take on the world.”

The Northern Powerhouse has been a feature of government rhetoric since and has featured in both official government documents (the 2014 Autumn Statement; 2015 Budget; combined Autumn Statement / Spending review of 2015) and those of the Conservative party (the Conservative Manifesto, 2015). A Minister, James Wharton, was given responsibility, supported by Jim O’Neill. Four main policy areas – termed

“four ingredients” by Osborne (2014b) – lie behind the Northern Powerhouse: transport, science and innovation, devolution and arts and culture.

### *Transport*

Economic research on agglomeration has become increasingly influential (e.g. GLAESER, 2012), and policymakers see transport improvements as one way of achieving it (HM TREASURY, 2010). Despite short distances there is relatively little commuting between northern cities (OVERMAN et al., 2009; HM GOVERNMENT, 2015). So the government has invested in improved transport links, including improved motorway capacity, new trains, tram improvements and better rail connections. These are significant, but many commitments pre-existed the agenda: the road commitments were set in June 2013, before being branded as a Northern Powerhouse policy in the 2014 Autumn Statement. Other finances are not even new money, but statutory allocations re-announced. In the 2015 Budget the government argued that they were spending £13 billion on new, Northern Powerhouse transport investments. But the Observer newspaper reported at least £5 billion was not new, but a standard allocation for local areas (BOFFEY, 2015). A second issue here is between intra-northern connections, which are likely to have a positive impact, and connections between the North and the South – the benefits of which may also accrue outside the area (TOMANEY and MARQUES, 2013). As the major scheme linking north and south is the High Speed 2 rail line, which pre-dates the Northern Powerhouse, the focus here is on connections within the north.

Published in March 2015 (the run-up to the 2015 election), the Northern Transport Strategy argued that connections both within and between northern cities would be

important. It highlighted improvements to commuter services, better freight transport and improved ports. High-Speed 2 – the controversial link between the north and London – was also included, although the benefits may not be felt in the north (TOMANEY and MARQUES, 2013). The major institutional reform here is the development of Transport for the North, intended to coordinate transport in the manner of Transport for London.

### *Science and Innovation*

The second area of policy has been science and innovation, now seen as crucial ‘success factors’ for regional economies (PERRY & MAY, 2007). Yet funding is allocated according to the Haldane principle that it should go to the best science, regardless of location, leading to concerns that spending focuses on the ‘Golden Triangle’ universities in London and the South East. The most high profile science policy is the Sir Henry Royce Institute for Advanced Materials Research and Innovation. This would be based in Manchester with satellites in “cities including” Leeds, Liverpool and Sheffield, leading to concerns (1) that the money would be thinly spread, (2) it would be unsustainable, and (3) that the £235 million budget was low compared to the £600 million for the Crick Institute in London, particularly given that some money would go to southern satellite centres.

### *Devolution*

The third area has been devolution. The past 15 years has seen significant lobbying for decentralisation from local government and other bodies (MARSHALL et al., 2006; CORE CITIES, 2013). The idea that devolution would increase economic performance has become a common belief (e.g. HESELTINE, 2013), although the

evidence for this is weaker and more nuanced than often portrayed (PIKE et al., 2012). The only city in the UK with significant powers is London which has had an elected mayor since 2000 and, probably coincidentally, strong economic performance since. But lobbying by think-tanks and city governments, alongside wider political moves and the publication of the Heseltine report, had meant some form of decentralisation was always likely.

There had been moves to decentralise power under the Coalition government of 2010 – 2015. A Minister for Cities was appointed and a Cities Policy Unit was established in the Cabinet Office – a cross-governmental body – tasked with negotiating ‘city deals’, tailored and negotiated settlements between cities and central government (AYRES and PEARCE, 2013; O’BRIEN & PIKE, 2015). These focused on issues such as skills or transport, although Manchester’s included elements of fiscal devolution. Elected, executive Mayors are planned for major cities (some already have a mayor, but the powers and geographical scope would change). Civil servants see Manchester as the first stage in devolution processes which will then be rolled out to other cities (TOMANEY, 2014; GORDON et al., 2016). The devolution deals may have the longest legacy of any of the recent policy changes. Yet they cannot be seen as strictly Northern Powerhouse policies as they are not limited to the north.

### *Culture*

The least important ‘ingredient’ has been culture. This has only been referred to occasionally, with the controversial but influential economic geographer Richard Florida cited:

“Global cities are also great places to go out. The economist Richard Florida has talked about the way that great cities are competing for the “creative class” that powers economic growth. He’s shown how innovators and entrepreneurs are attracted to creative, cultural, beautiful places.”

Osborne 2014b

A series of ‘trophy’ projects have been funded such as a ‘Great Exhibition in the north, the Factory Manchester – a new theatre and exhibition space – and other arts projects scattered across the north. But the finance has been limited: in the 2016 Budget the government committed £19.5 million for ‘culture’ as part of the agenda. Yet at the same time, £54m was found for London’s Royal College of Arts alone.

#### *4. Understanding the Northern Powerhouse: Strategy, brand or both?*

While the Northern Powerhouse builds on past ideas such as the Northern Way, there are some important differences. The Northern Way was less of a defined brand but was run by a single strategic institution and backed by 3 Regional Development Agencies. It had its own budget (estimated at £27 million for 2008-2011 [SQW, 2011]), and existed in relatively abundant times. In contrast, the Powerhouse is a concept which – while represented by a Minister – has no single delivery body, no designated budget and faces a context of falling public spending. This lack of an administrative focus or single plan makes it hard to pin down what the Northern Powerhouse actually is.

The Northern Powerhouse can be understood in two ways. The first is as a strategy, a way of setting out a long-term vision for the north around which policy can be focused. This is a more interventionist approach than previous economic development policies of the Coalition, which have used incentives to stimulate economic growth regardless of location, rather than focusing investment on a specific area (e.g. the New Homes Bonus provides extra funding for councils which allow housebuilding).

If the Northern Powerhouse is understood as a strategy, it has wider significance for economic development. Firstly, in some respects it is relatively interventionist compared to more normal, technocratic approaches. Government investment decisions are often made, or justified, using economic decision making processes such as Cost Benefit Analysis. But there has been concern that this approach is “biased” against spending in the north (TRANSPORT SELECT COMMITTEE, 2011; IPPR NORTH, 2012). Similarly, science and innovation spending is decided using the Haldane principle of excellence and focuses on the Golden Triangle. Yet there are concerns that the spatial allocation of funding may be self-reinforcing as future funding follows that of the past. Civil servants interviewed for this paper suggest that the Northern Powerhouse is a way of taking a strategic view of economic development and letting politicians overrule approaches based on economic evaluation principles. It is important to caveat this argument, and the bulk of recent policy has been of a more standard approach. But, despite his reputation as a laissez-faire Chancellor, Osborne has made this interventionist argument himself:

“For decades different governments tried shifting lower end public sector posts around the country. It created jobs in call centres and back offices, but it didn’t improve the fundamental growth potential of these places.

Leaving it all to the market doesn’t work either. The Albert Dock in Liverpool or Manchester City Centre didn’t regenerate themselves. It took national leaders like Michael Heseltine and civic leaders like Richard Leese and that brilliant star of city government, Howard Bernstein.”

Osborne, 2014b

The second implication is that the Northern Powerhouse is an example of an explicitly spatial economic growth strategy, similar to the 'growth poles' in the 1960s and 1970s (RICHARDSON, 1976). In particular, it reflects older arguments about whether policy should focus on people or places (e.g. CROWLEY et al. 2012; HILDRETH & BAILEY, 2013), with a strategy which is apparently based on urban economics but also draws on place-based models.

Thirdly, the Northern Powerhouse represents the evolution of the Manchester Model of local government (TOMANEY and MCCARTHY, 2015). Stable and focused local leadership has accompanied a series of attempts to simplify local government in the area: from the Association of Greater Manchester Authorities (AGMA) in 1986, the Greater Manchester Combined Authority in 2011, to the eventual signing of a city deal in 2012 (TOMANEY and MCCARTHY, 2015). The city government developed a reputation for being easy to deal with and efficient, with a network of hard and soft



institutions developing (DEAS, 2014). Interviewees saw this institutional development as crucial for Manchester's success in lobbying for new powers.

Finally, the Northern Powerhouse represents a cross-government piece of policy making. The importance of cross-departmental efforts has been a long-term theme in British urban policy (ROBSON, 1994), with urban problems seen as requiring intervention from many agencies. The agenda has involved efforts from across Whitehall alongside local authorities and other actors. Being led by the Treasury helped:

“The Northern Powerhouse is a cross-governmental effort. No one else, probably even the PM, could make that happen. Only the Treasury and the Cabinet Office have that cross government focus.”

Senior BIS

Official

However, the Northern Powerhouse also serves a second, important function as a brand: a political tool used to persuade a suspicious electorate that the Conservatives care about the north. The “policy” has some features which lend it to this interpretation: it is a good soundbite; it is vague enough for individuals to interpret in their own way, yet specific enough for them to feel they have understood; it is focused and clear; and it is hard to oppose. For political messaging purposes it is excellent. As William Hague, one of the few eminent Northern Conservatives has argued:

“The clearest, most coherent thing for the north of England is the Northern Powerhouse initiative offered by the Conservative party. It’s the clearest, most purposeful initiative we've had in the north for decades.”

William Hague, cited in *The Economist*, 2015

If this interpretation is correct, the ‘brand’ can simply be applied to give existing policies focus and comprehension. New motorways, enterprise zones and so on can all be branded as Northern Powerhouse projects – lending coherence to scattered policy initiatives and increasing ‘brand awareness’.

There have been similar attempts to ‘brand’ policy agendas in the past. The most notable is similarly fuzzy, the Big Society (BAILEY and PILL, 2011). Defined in the 2015 Conservative Manifesto (2015: 45) as “a vision of a more engaged nation, one in which we take more responsibility for ourselves and our neighbours; communities working together, not depending on remote and impersonal bureaucracies”. Despite a favourable initial reaction to the concept, it was hard to reconcile with cuts and is now rarely used (BUTLER, 2015).

These two interpretations are not mutually exclusive and the Northern Powerhouse may be both strategy and brand. It represents an attempt at addressing several old problems in British urban policy, building on previous measures and developing a powerful brand. But the fuzziness of the concept, its lack of stated aims, and a lack of resources (or at least clarity about them) mean that the Northern Powerhouse has some significant limitations.

## *5. Fuzzy policy*

The Northern Powerhouse is a policy agenda based around an important idea: the influence of agglomeration in the economy. It is not an institution or a strategic plan with a defined, codified remit. This fuzziness leads to some important problems with the agenda, including a geographical fuzziness, vagueness about leadership and responsibility, drift from the theoretical ideals and unclear financing.

### *Fuzzy geography and competition for resources*

The implicit focal point of the Northern Powerhouse is Manchester, where Osborne gave his first speech on the topic. Manchester is the archetypal resurgent city in the UK, benefiting from stable government, relatively well-funded regeneration and the relocation of the BBC (GORDON et al., 2016). Manchester was central to the ‘deal-making’ process of devolution, where cities worked with central government to develop tailored devolution deals (AYRES and PEARCE, 2013). It plays an important economic role in the north (TAYLOR et al., 2010; DEAS, 2014). Yet it is hard to define functional regions and link them with government structures (COOMBES, 2014), and focusing on one agglomeration means excluding other places (HARRISON & HEALEY, 2014). So the geographical scope of the ‘Northern Powerhouse’ has never been clearly defined. This raises a set of questions.

First, how many, and what sort, of areas can become ‘Powerhouses’? Other places have tried to use similar terms. For example, Cornwall has lobbied for powers to become the “South Western Powerhouse” (LANGSTON, 2015). The Conservative

2015 Manifesto committed to making the Midlands the “Engine of Growth”. So the West Midlands also received a devolution deal (HM TREASURY & WEST MIDLANDS COMBINED AUTHORITY, 2015). But the spreading of devolution deals undermines the idea that they are specific to the Northern Powerhouse. Moreover, this form of lobbying for resources is rarely about the initial “Powerhouse” concept of a large agglomeration (Cornwall is a peripheral rural area). Instead, it is a pitch for resources or the devolution deals which are being rolled out across the UK (see BENTLEY & PUGALIS, 2013), but which have been sold as part of the Northern Powerhouse. It has been impossible to sustain a geographic focus: in 2015’s Summer Budget, the Northern Powerhouse was accompanied by measures to support growth in the Midlands, East of England, South West and even London.

A second question is what the geographical extent of the Northern Powerhouse should be. In the 2015 Autumn Statement, the Northern Powerhouse was defined as being about making “the *cities* of the north a powerhouse” (HM TREASURY, 2014: 49). “And crucially, it should be at a pan-Northern level, to create a single economy across the North.”(HM GOVERNMENT, 2015: 4). But this geographical spread contradicts the initial idea that resources should be targeted geographically. And the focus on Manchester has been criticised: following the 2014 Budget the Guardian complained that it provided “Yet more goodies for Greater Manchester.” It has been hard for policymakers to focus resources on agglomerations when confronted with objections from elsewhere. Moreover, there is a clear theoretical tension: the agglomeration theories which apparently inspired the Powerhouse suggest that disparities are likely to persist. The idea that every city can be a “Powerhouse” contradicts this.

### *Fuzzy aims*

The lack of geographical clarity stems from another fundamental issue: the agenda's vague aims. It is unclear whether the Northern Powerhouse is about ensuring gains across the whole of the North, or an attempt to find somewhere in the north with the potential to address the North-South divide. The coalition government's focus had previously been on realising "every place's" economic potential (HILDRETH & BAILEY, 2013). But this is incompatible with theory on agglomeration, which suggests disparities are inevitable, and the policy focus on Manchester.

When the goals of the Northern Powerhouse have been set out, they have been ambitious. David Cameron argued that:

“what I am pledging here is nothing less than the most important commitment to the north for decades: we're going to close the north-south gap”

Cameron, quoted in Rigby & Bounds,  
2015

And the Conservative manifesto suggested it was part of their goal to:

“raise the growth rate of all parts of England, bringing areas which have grown more slowly up to at least the national average.”

The Conservative Party, 2015:

11.

But for this to happen requires more than a focus on Manchester. Yet there is no clear target for the Northern Powerhouse.

### *Fuzzy theory*

While overtly inspired by the insights of NEG or NUE, the Northern Powerhouse has drifted considerably from the theory. NEG/NUE models consider the spatial focus of growth. But, the paradox of these apparently geographical NEG/NUE type models is that they lead to a policy mix of spatially blind policies (such as education) with infrastructure linking successful and less successful local economies, and spatially targeted interventions only later (HILDRETH & BAILEY, 2013; TOMANEY, 2014). Hildreth and Bailey (2013) argue that the famous World Development report of 2009 suggested that “growth and development by its very nature will be unbalanced and that efforts to spread economic activities will be counter-productive in undermining growth and prosperity”.

But the Northern Powerhouse sits uneasily with this. NEG/NUE models show the role of agglomeration in regional disparities, and their link with the Northern Powerhouse has been explicit in Osborne’s speeches. Yet these theories are intended to explain disparities, rather than provide solutions to them. The Northern Powerhouse actually mixes different types of development policy. Barca (2011: 217) sets out a typology of local economic development policy. At first glance, the Northern Powerhouse reflects his “agglomeration-driven approach”, with public investments used to enable agglomeration and the market deciding which places ultimately benefit. However, of the four ‘ingredients’, only transport really reflects the NEG/NUE type theory on which it was based. Instead, many of the policies cited derive from what Barca (2011:

219) calls the “place-based approach”, where resources under-utilisation in less developed regions is a concern and policy considers spatial factors. The devolution processes underway, in which local areas tailor a package of interventions, might fall into this category. But there is also a strong element of “Communitarian” policy, where development is driven by “‘local agents’ awareness of their own knowledge and preferences” (pp. 219). The devolution deals can be seen partly in this light.

### *Fuzzy empirics*

Improved transport links in the north are likely to have a positive impact on the economy. But the benefits will not be large on a per capita basis, pay little attention to the cost of interventions and are unlikely to achieve the stated policy aims. In a report for the Northern Way, Overman et al. (2009) investigate the potential economic benefits of transport improvements:

“a 20 minute reduction in train journey times between Manchester and Leeds would be worth £6.7 billion across the whole of the north of England (assuming benefits persist indefinitely) of which £2.7 billion is captured within the two city regions.”

Overman et al. 2009: 13.

But once considering these as a *percentage* of overall output, the gains from improving rail links are relatively small (OVERMAN et al. 2009: 13). The major impact would work through long term structural change (i.e. upgrading sectors) - with no guarantee existing residents would benefit: “greater integration would deliver no wage growth benefits to people who do not change education or skills levels.”

Similarly, Gibbons (2015) undertakes some “back of the envelope calculations” on Greater Manchester, where he suggests a new transport scheme increasing Manchester’s labour market by 60,000 workers would add around £2.9 billion to GVA. These are significant sums, but nothing like the scale of disparities between north and south.

Moreover, it isn’t clear that the focus on transport addresses the main cause of regional disparities: some argue the main determinant of disparities is the education and skills levels of the population (GIBBONS et al. 2013). Yet early Northern Powerhouse announcements contained no policy measures around education and skills, an omission only later rectified in the 2016 budget with a small investment in schools in the North, the announcement that a review of northern school quality would take place and an agreement to move towards devolution of adults skills funding.

### *Fuzzy finances*

A final, related concern is the scale of funding. One test of whether the Northern Powerhouse represents a genuine economic development strategy, rather than a political brand, are the finances devoted to it. Yet the funding arrangements are opaque. There are three possible routes for funding for projects announced as part of the Northern Powerhouse. Money can be *new*, coming from new tax revenues or freed up elsewhere. This is the clearest evidence that the government is prioritising the Powerhouse, but near impossible to identify. Alternatively, money may be *refocused* from other spending into projects labelled as part of the Powerhouse (for example, if government science spending was purposely moved from the south to the north). But



it is impossible to tell if money is new or refocused, and in both cases there will be an opportunity cost, particularly if the money is spent for political reasons. Finally, the money might be existing, pre-planned commitments simply *rebadged* with the Powerhouse label.

*Insert table 1 around here*

There is no single government document outlining all Northern Powerhouse spending commitments. Table 1 considers some of the key commitments attributed to the agenda in government documents (the Autumn Statement 2014, the two Budgets of 2015, the 2015 Spending Review / Autumn Statement, and the 2016 budget).

Figures are murky, and it is not always clear what is new money as opposed to finances already committed. Overall, without including High Speed 2 or 3 and excluding money already committed and obviously relabelled, around £6.7 billion has been committed as transport spending, representing the bulk of around £7.8 billion committed. Yet even here, the very charitable upper bound estimate of £6.7 billion new money is less than half the £14.8 billion finance spent on Crossrail, a new rail scheme for London (HM TREASURY, 2010), and it is dwarfed by the £27 - £32bn cost of the proposed follow up, Crossrail 2 (CROSSRAIL 2, 2016).

It is harder to assess spending commitments made through devolution deals, and so these are not covered. The devolution deal for Manchester – the Greater Manchester Agreement – included some new funding. Civil servants interviewed for this paper gave a rough figure of £4.2 billion for the 5 devolution deals announced between the

May election and November 2015. But this figure is for 30 years and £1.2 billion of that is Birmingham, in the Midlands.

Spending as part of the Northern Powerhouse is a mixture of new, refocused and rebadged funding. Some funding has simply been branded as a “Powerhouse” initiative even though pre-existed the term. For example, in the 2014 Autumn Statement the government argued that they were “providing £10 million to support the expansion of the very best academy chains in areas of the north” (HM Treasury, 2014: 51). But this is unrelated to the initial idea of the Northern Powerhouse, and was actually a national scheme which had been underway since 2010. Similarly, funding was announced for the National Graphene Institute in the 2012 Budget. It was then re-announced in Osborne’s 2014 Northern Powerhouse speech and once again in the 2015 Budget.

But some funding is either new or at least refocused. The Sir Henry Royce Institute for Materials Research is an example. £235 million funding for the centre was announced in the 2014 Autumn Statement. Interviews suggest this was an example of finance being available and then a political choice made to invest it in the Northern Powerhouse rather than elsewhere. It was inspired by the work of the N8 – a group of the 8 leading northern research universities - on the ‘strengths of the north’ and through a roundtable held with business leaders. But this was one of many asks from northern leaders to Whitehall, and the only one acted upon – a case of lobbying from northern institutions rather than local financial freedoms.

## *6. Conclusion: Powerhouse of cards?*

At the heart of the Northern Powerhouse is an important idea: the potential economic benefits if the cities of Northern England worked as a larger functional economic area. This is not a new idea, but the latest iteration has the highest profile yet. The Northern Powerhouse agenda has focused efforts on the north and led to some new investment, although the scale of new finance has been overstated by repeated re-announcements. There has been some institutional change, such as Transport for the North, and this may have a long-lasting impact. In this respect, it is a genuine attempt to rebalance the UK economy with a basis in academic research and some new resources.

But the Northern Powerhouse has drifted significantly from the initial concept and has become an increasingly fuzzy agenda. Part of the reason is that the Northern Powerhouse is also a powerful political brand. The lack of strategic clarity, defined plan or accountable institution, the creeping geographical remit and the relatively limited finances available for such an ambitious goal all lend support to this interpretation. The original idea was about creating a functional urban area, but the policy is now used as a generic brand for government policy in the north. Many initiatives labeled as part of the Northern Powerhouse are not even exclusive to the north.

There are two important contextual factors which will limit the success of the agenda. The first is that the Powerhouse agenda has – as yet – only limited focus on education and skills. Some policy, around universities or culture, may help in this area, and the 2016 budget did include limited measures to improve the quality of northern schools.

The skills of the population are probably the most important driver of disparities across the UK (GIBBONS et al. 2013), so it is strange that this is not more of a focus of policy. Secondly, the Northern Powerhouse provides small sums as large cuts are simultaneously made to local government spending. Moreover, there are concerns that future fiscal devolution will reduce the finances available for cities in the north further. While there are positive aspects to the Northern Powerhouse agenda, this context will reduce its chances of success.

A benchmark of government commitment to the Northern Powerhouse is the amount of new money. There are examples of new spending (such as the Sir Henry Royce Centre). But much is existing projects being rebranded (the Graphene Research Institute), pre-existing statutory budgets (some roads spending) or trivial (finances to commemorate WW1). If Osborne is really trying to “close the north-south gap” then the resources provided are clearly insufficient. The Northern Powerhouse is a clever piece of politics, given spending constraints. But where there is too little substance this creates a reputational risk for the concept itself – if used solely as a political brand, it will become devalued.

This raises the concern that a strong, evidence based initial concept has become a political exercise rather than a genuine attempt at rebalancing the economy. By raising expectations without providing resources or a genuine leadership structure risks a collapse of the concept the devaluation of the brand (a ‘powerhouse of cards’). The Big Society - an earlier policy and/or branding exercise - was similarly affected. However, there will be one potential consequence of applying such a memorable brand to a set of policy measures. As the government now has a high profile agenda

around rebalancing of the economy, the result may be to make the government at least partly accountable for the further widening of the north-south divide.

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Table 1. Key spending commitments as part of the Northern Powerhouse

<b>Theme</b>	<b>Estimated cost</b>
<b>1. Transport (not including HS2)</b>	
Northern Hub Rail	£530m
Northern Road Investment Package*	£4bn
Electrification and rail investment*	£1.65bn
Transport for North – money for smart ticketing	£150m
Transport for North – operational finance	£50m
Regional Air Connectivity Fund	£7m
Finance to develop plans for High Speed 3 (Leeds-Manchester route)	£60m
Upgrading of M62 to four-lane, smart motorway	£161m
Development of business case for trans-pennine tunnel and road upgrading	£75m
High speed 2 growth strategies	£4m
<i>Approximate total spending committed (excluding High Speed 2 / High Speed 3 rail lines):</i>	<i>£6.69 billion</i>
<b>2. Science and innovation</b>	
Sir Henry Royce Centre for Material Research	£235m
High value manufacturing catapult in Sedgefield	£28m
Sovereign Wealth Fund for North (funding not yet committed)	N/A
Continuation funding for the National Nuclear Users Facility	£60m or £250m
Expansion of best academy schools in North***	£10m
Northern Powerhouse Schools Strategy	£20m
Health North investment	£20m
National Institute for Smart Data Innovation	£15m
Advanced Wellbeing Research Centre in Sheffield (Part of Olympic Legacy Park)	£14m
Tech Incubators in the North	£11m
Sheffield Maker Hub	£3.5m
Leeds Future Lab / Financial technology incubator	£3.7m
Manchester Forward Plan	£4m
Extra funding for Centre for Process Innovation in chemicals sector	£1m
Extend Enterprise Zones in North	£15m
National Graphene Institute / Graphene Engineering Innovation Centre (GEIC)	£45m
Anti-microbial resistance centre of excellent	£4m
Northern Powerhouse Trade Missions	£15m
Northern Powerhouse Investment Taskforce	£7m
<i>Approximate total spending committed (excluding Northern Powerhouse Investment Fund):</i>	<i>£511m - £701m</i>
<b>3. Arts &amp; Culture</b>	
Great Exhibition in the North	£5m
Great Exhibition Legacy Fund	£15m
Manchester Museum's South Asia Gallery	£5m
Hull City of Culture	£13m
Support for Rugby League World Cup (Funding level not yet announced)	N/A
The Factory, Manchester	£78m
Arts Project for WW1	£3m
Refurbished Muni Theatre in Pendle	£56k
Reinstated Norway Ferry / Marketing	£300k
Shakespeare North theatre project	£5m
Tour de Yorkshire funding	£500k
S1 Artspace funding (subject to planning)	£1m
<i>Total Arts &amp; Culture Spending</i>	<i>£126m</i>
<i>Additional spending in 2016 Budget on hospitals and flooding</i>	<i>£282m</i>
<i>Total Northern Powerhouse spending</i>	<i>Around £7.8bn</i>

\* Value given = New commitments *after* excluding road schemes announced in 2013. Also excluding further transport investments in 2016 Budget from existing funds (Local Growth Fund and Pothole Action Fund) [see HMT, 2016: 74]

\*\* Satellite centres in Leeds, Liverpool, Sheffield, Cambridge, Oxford and London

\*\*\* Part of wider expansion programme