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Less certainty and more choice: still waiting for a credible metropolitan strategy

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less certainty and more choice - still waiting for a credible metropolitan strategy

Ian Gordon examines some key considerations for future strategies for the London economy

The deadline for this collection of articles was just a couple of days before the referendum on continued UK membership of the European Union, with the prospective outcome still judged too close to call. This removed any temptation to launch my contribution from some forecasts of growth or structural change in the London economy. Withdrawal would inevitably have major implications for this most international of British cities, though what they might be, and over what timescale, depends on whatever (realistic) Plan B might ultimately be worked out. But even were the decision one to 'remain', it seems very unlikely that political life, and the policy parameters within which London operates, will simply resume their course – too much has been disturbed by the nature of the referendum campaign, including the previous consensual plastering-over of major cracks in political/cultural attitudes among the electorate.

Starting off in this vein is not simply an excuse for the vagueness of what follows; but rather because the present state of affairs highlights some key considerations in relation to future strategies for the London economy. One is simply that, despite loose

talk about London becoming a city-state, national policies/initiatives (and unexpected reactions to these) matter very much more for the London economy than anything which its political leadership may choose to do. Another may be that 'professional' forecasts can often be substantially wrong (including some of my own – see below), even when they have independently arrived at much the same conclusion.

The manner in which 'expert' analyses and opinion of this kind were swept aside during the referendum campaign – by members of a metropolitan elite who happily deploy them on other occasions – is just cynical. But what it has exposed (and exploited) is the fact that a substantial proportion of the electorate (mostly with much less education) reject the kind of claims to expert knowledge on which key sectors of the modern London economy depend.

Since the 2007/08 crises of the financial sector, with their deep impacts across the rest of the country, there has been little evidence of the simple northern revanchism which once figured among credible threats to renewed success in this city.¹

But the Brexit constituency, as it emerged during the campaign, is one which evidently rejects core metropolitan values (of trust in educated expertise and a Westminster politics, as well as of cosmopolitanism) as much as those of 'Brussels'. And after the referendum it won't simply withdraw from the scene.

London – 'project growth' versus the boom that kept on booming

At the level of London government, economic strategy for the past 15 years has been dominated by a set of numerical (trend-based) forecasts of large-scale growth in numbers of jobs and residents, linked to a qualitative narrative explaining the inevitability of those trends in terms of London's role as a 'world city' (notably in relation to global financial services). I have always been rather sceptical about the scale of growth, the singular explanation offered for it, and a lack of concern for the evident volatility of the new (post-1980s) London economy.² I also had my suspicions (rather like some Brexiteers) about the particular interests within the Central Activities Zone (CAZ) that were served by insistence upon the fact of such growth, and the need to accommodate it within the Greater London Authority's (GLA) territory.

As it happened, population growth has actually proceeded even faster than originally projected, because external circumstances brought still bigger waves of migrants from poor countries. And when the long boom of the late 1990s/early 2000s was eventually succeeded by the (expected) crash, somehow that was not translated into the kind of sharp downturn in London employment that the (more limited) crisis of the late 1980s had produced. Indeed, quite the opposite: even with an odd year of (rather modest) contraction, London – specifically the CAZ – accounted for virtually all net growth in UK, and has actually grown faster than through the boom years, or any other extended period.³ Whether rightly or wrongly, hubris has been reinforced, and GLA employment growth projections have understandably been ramped up still further.

Three questions remain, however:

- what has really produced this remarkable new expansion, in the wake of an evident debacle in the supposedly key sector;
- how likely is this to be sustained over the 30-year horizon of London economic plans; and
- how well does the character of this growth fit with the concerns and aspirations of Londoners (present and future)?

Elsewhere, I have tried to address the first of these questions: rejecting generalised claims about (Central) London's demonstrated 'resilience' or heightened competitiveness; but identifying some specific contributors; and arguing for a less



conventional explanation of the bulk that is not so explicable. Among the specific components are: a substantial sterling devaluation effect on international tourism; a general explosion in head office employment; two headline infrastructure projects; and notable local expansions in hospital and university employment (against the trend to austerity).

The 'elephant in the room', however, is argued to be the truly massive support to banking/financial activities, in turn through bail-outs, implicit subsidies (free insurance against future bail-ins), and quantitative easing. Key effects of the last of these seem to have included: flows of capital to emerging markets, with UK effects concentrated in City-focused support activities; and major boosts to the international spending power of a plutocratic class, sometimes resident in London.³ This factor is far from stable in nature. But, for the present at least, it seems to have brought London very much closer to Sassen's conception of it as a global city⁴ than it was around the time of her writing – with several of the negative consequences that she then suggested. These are now, however, more a by-product of economic and regulatory failure than of inexorable globalisation.

Whose economic strategy, shaped by which elites?

In real functional terms the 21st century London economy stretches out 50 miles or more beyond the CAZ, with dynamic elements near the edge as well as in the centre. Its effective political representation is, however, confined to the Mayor's 'Greater London' fiefdom, as are the growth forecasts. Even within that territory, such representation is problematic because the scale and character of its economy is so significant for national economic and political interests. Little coherent debate has occurred here about the appropriateness of the growth strategy either in relation to the interests of Londoners (of the median voter, say) or of a rebalanced national economy – and the (statutory) Mayoral economic development strategies have been unmemorable.

At the start, indeed, it was the 'spatial' strategy (aka the London Plan), *not* its 'economic' counterpart (authored by the London Development Agency (LDA)), which committed to a 'global city' vision, quietly grounded in a belief as to what would elicit Treasury support. And now, with a (slim) Enterprise Panel succeeding the Development Agency, its London First/McKinsey drafted economic development plan, *London 2036*,⁵ had its priorities endorsed in a 'long term economic plan' *jointly* announced by the Chancellor and Mayor ahead of the 2015 general election.⁶ Although more a list of intended actions (old and new) and trend extrapolations than a strategy, the headline element was a reprise of the 20-year old obsession with outpacing New York's growth, slightly recast to link with more recent worries about productivity (rather than simply GDP and jobs).⁷ This is pretty much business as usual, but the open sharing of responsibility is new.

Towards more productive and trustworthy strategising

The new language and practice of explicit 'deals' made between cities and central government is welcome. But 'to give a voice to people here', which is what George Osborne claimed for this joint plan – and what Brexiteers nationally appear most exercised about – also requires:

- exposure of alternative strategies for debate within the London region;
- consideration of which aspects have positive/negative pay-offs for typical Londoners and for major sub-groups likely to be differentially affected; and
- consideration of which are primarily of wider national interest.

To simply assume that what is good for 'London' is also good for Londoners, and good for the UK too, is the kind of insouciant elitism that (as in the case

of migration) gives the subsequent deployment of expertise a dangerously bad name. Mystification, and worries about manipulation, are even more damaging when devolution brings them closer to home.

Less topically, it would be right, though far from new or original, to conclude by saying – irrespective of the referendum outcome – that determinism, a one-eyed obsession with global city status (or property values), and failure to acknowledge crucial economic linkages across an artificial 'London' boundary (and well beyond) are, and will all remain, fatal weaknesses in any economic strategy for this great (but challenged) agglomeration. The most encouraging signal in last year's Treasury/GLA long-term plan was actually the establishment of a West Anglia Task Force to look at improving rail connections up the London-Cambridge growth corridor, where a locally-based consortium has shown a way forward in developing collaboration and integration from the bottom up, on an economically functional basis.

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Notes

- 1 I. Gordon: 'Scenarios and planning for alternative London futures – or making a drama out of a strategy'. In B. Kochan and K. Scanlon (Eds): *London: Coping With Austerity. A Review of Housing, Planning and Public Policy Issues in 2010*. LSE London, 2010. www.lse.ac.uk/geographyAndEnvironment/research/london/pdf/London%20Coping%20with%20Austerity2010.pdf
- 2 N. Buck, I. Gordon, P. Hall, M. Harloe and M. Kleinman: *Working Capital: Life and Labour in Contemporary London*. Routledge, 2002
- 3 I. Gordon: 'Quantitative easing of an international financial centre: how central London came so well out of the post-2007 crisis', *Cambridge Journal of Regions, Economy & Society*, 2016, Vol. 9, 259-68
- 4 S. Sassen: *The Global City: New York, London, Tokyo*. Princeton University Press, 1991
- 5 Two-thirds of the cost of which was funded by London First, with the GLA and the London Enterprise Panel each covering one-sixth
- 6 'Long term economic plan for London announced by Chancellor and Mayor of London'. News Story. HM Treasury, Feb. 2015. www.gov.uk/government/news/long-term-economic-plan-for-london-announced-by-chancellor-and-mayor-of-london
- 7 Not only for employment growth (cited as the number of jobs to be 'created'), but also for new housing, where a 15-year target of building over 400,000 new homes in London is pretty much in line with recent inadequate performance, and nothing like the 600,000-750,000 implied by GLA 'need' figures