



Spatial Economics Research Centre

Thursday, 28 May 2015

City Devolution

[Posted by Prof Henry G. Overman]

Following the Queen's speech my twitter feed is full of people expressing views for or against devolution to cities. Supporters [push for maximum devolution](#) to boost growth and productivity, improve efficiency in local government and build the northern powerhouse. Critics suggest the main attractions lie elsewhere - [for example](#) as a means of cutting government expenditure, a crude power grab by local politicians and a way for Londoners to reduce taxes.

While there may be some truth in both these arguments, they won't do much to progress debate on what might constitute the right balance of powers between central and local governments. Indeed, what's a little depressing, but not very surprising, is the extent to which the vociferous public debate appears to pay almost no regard to the large academic literature that considers this issue.

Here, for example, is Wallace E. Oates one of the leading experts on fiscal federalism writing in a [1999 Journal of Economic Literature essay](#):

"But the proper goal of restructuring the public sector cannot simply be decentralisation. The public sector [...] consists of several different levels. The basic issue is one of aligning responsibilities and fiscal instruments with the proper level of government. [...] To realize [the advantages of federalism] we need to understand which functions and instruments are best centralized and which are best placed in the sphere of decentralized levels of government."

I've reflected on [some of these issues before on this blog](#). For example, I'm pretty convinced that many decisions on transport and housing would better sit below national but above local authority level. After all, the evidence suggests that this is the spatial scale at which labour and housing markets operate. The governments proposals on metro mayors would help achieve this improved alignment.

This site uses cookies from Google to deliver its services, to personalise ads and to analyse traffic. Information about your use of this site is shared with Google. By using this site, you agree to its use of cookies. [LEARN MORE](#) [GOT IT](#)

In contrast, I'm still to be convinced on skills policy. Local authorities are certainly clamouring for powers in this area. But I worry that there is too much focus on higher level skills and not enough on the basics. I personally think the evidence is clear that early years and schooling should be central to an LED policy. Not only do these policies directly target one of the central problems faced by poorer families, but good local schools also help attract and retain already educated workers. But, I have no idea whether skills policy needs to be individualised, localised or centralised. I have similar reservation when it comes to active labour market policy.

I'm pretty sceptical on local industrial policy (e.g. cluster policy, complex attempts to create innovation systems, targeting particular sectors etc) because don't think the evidence on its effectiveness is compelling and I worry that competition amongst local areas will lead to wasteful - and ultimately fruitless - expenditure.

Finally - I don't have a strong view on health or policing - because these are areas in which I have no particular expertise.

This isn't supposed to be comprehensive list - and my position on some of these areas isn't settled. Convincing evidence could shift my opinion either way. But we need the debate to shift from arguments over 'whether' to arguments over 'what' and 'why'. To my mind, we need answers to these latter questions, before we can figure out how to proceed.

Posted by [Prof Henry G. Overman](#) on [Thursday, May 28, 2015](#)

Recommend this on Google

No comments:

[Post a Comment](#)

[Newer Post](#)

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)

Simple theme. Powered by [Blogger](#).