



# Spatial Economics Research Centre

Tuesday, 13 March 2012

## Greater Manchester Growth Plan

I was at Portcullis House yesterday for the launch of the [Greater Manchester Growth Plan](#). Speeches from Danny Alexander and Greg Clark suggest the government remains committed to striking substantive deals with some of our major cities (we should see the details on the first of these fairly soon).

[Disclosure: I sit on the Economic Advisory Panel that helped draw up the Manchester Growth Plan.] I won't go in to the details on the 10 recommendations that we make but wanted to comment instead on the broader issues. As I said at yesterday's launch - the Onion style headline for the growth plan would read "Manchester Plan calls for more Money and Power for Manchester". I share this immediate reaction but, on balance, I don't think that such extreme scepticism is warranted. Let me explain my reasoning.

I should start by pointing out that my personal position on geographical disparities in the UK remains unchanged. The [evidence is clear](#) that who you are is more important than where you live in determining outcomes, but that both matter. It's very difficult to address either personal or area problems, but the evidence suggests that we have more success with the former than the latter. Given this, I would like to see policy focus on improving personal characteristics (e.g. skills) and then allowing people to take advantage of opportunities wherever they arise. In practice, in the UK, more of these opportunities will arise in the South than in the North. It's for this reason that I favour expanding housing supply in the South and allowing more people to live there. In other words, personally I would support more geographic concentration in the South. In contrast, part of the objective in giving 'more power and money for Manchester' is to work against more geographic concentration. I reconcile these differences because, at the end of the day, I recognise that my personal opinion regarding more concentration in the South puts me in the minority. In other words, even if I am sceptical on geographical rebalancing (a 'normative' position) I think the recommendations in the Manchester growth plan should help achieve it (a 'positive' position).

I should also say that I don't think that 'more power' is just about geographical rebalancing. I am convinced by the evidence that suggests that more localisation will probably improve urban policy making (I also agree with the broad principles that underpin this move). Ironically, however, I'm less convinced that there is much evidence that localisation will have a [large direct impact on economic growth](#). Still, I think we should support it because the highly centralised processes in the UK don't seem to have done much to deliver on economic growth outside of London and the South East. In short, the arguments for 'more power' are that (a) it should lead to better urban policy making; (b) it might lead to more growth and so we should try it.

What about 'more money'? Here, there seemed to be some confusion at the launch. While the immediate recommendations revolve around powers, those on local government finance will lead to Manchester having more money in the long run (because it will keep a larger share of the tax revenues that it generates). So the recommendations are about *both* more power *and* more money. I think there are three arguments in favour of this. First, more money is conditional on more growth. This rewards Manchester for making difficult local decisions (e.g. on planning). In other words, more money is partly about getting the incentives right. Second, focusing expenditure on Manchester means that policy is at least working with market forces *within* the North West region. As I have [argued before](#) such concentration may be important in offsetting the very strong market forces working against the North as a whole (and in favour of the South). Third, the previous government tried jam spreading, the effects appear to have been limited, so now might be a good time to try some more concentration (especially given the overall fiscal position).

Overall then, not the impassioned support that you would get from those with more 'skin in the game' but support none the less. More money and more power for Manchester is a policy experiment worth trying.

Posted by [Prof Henry G. Overman](#) on [Tuesday, March 13, 2012](#)

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