



Spatial Economics Research Centre

Wednesday, 2 November 2011

London's (shocking?) growth performance

Writing about the RGF earlier in the week, I noted "if growth is the absolute priority then you begin to wonder whether the government might be better off dropping the 'R' from the Regional Growth Fund. The economics of that are difficult. On the minus side it might be more difficult to find projects in the 'south' where employment generation is genuinely additional. Offsetting this is the fact that a Growth Fund would expect to be generating those jobs at relatively more productive firms. Of course, while the economics might be difficult, the politics of such a change are far trickier."

I was somewhat surprised, therefore to see [Ed Balls making a similar argument in the Evening Standard](#): "the Government must also act with extra care to safeguard the London economy. For a start, that means making sure London is not excluded from action to support jobs." (He was writing about the National Insurance Holiday, but the same logic could apply to the RGF)

According to Mr Balls, London needs help because "a report last week found London is no longer the fastest growing part of the country and in the past year it has seen the biggest rise in unemployment of any region." Somehow, this manages to make things sound considerably worse in London than is the case. For some period now, London's relative performance (both compared to other regions and to predictions) [has been pretty good](#). I don't think its position has changed that much. Assuming that Mr Balls was referring to the latest BRES numbers they [show London as the second fastest growing region after the South East](#). Anyhow, according to my colleague Ian Gordon, "June-June annual comparisons show London as having the fastest growth rate of any region in just 4 of the last 15 years. More than any other, but hardly a shock when it's not in the top spot."

What about the unemployment numbers? Again, these are not that surprising because London has large numbers of people (young, lower skilled) [who are doing very badly in this recession](#). In the aggregate, better outcomes for 'higher skilled' workers tend to outweigh the poor performance of 'lower skilled'. There is nothing much new here - those kind of polarised outcomes have characterised London for a long time.

So the relative economic performance of London doesn't actually provide that strong a case for further intervention. Instead, the arguments depend on the extent to which policy in London is actually able to generate additional jobs and what are the ultimate objectives of policy.

Posted by [Prof Henry G. Overman](#) on [Wednesday, November 02, 2011](#)

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