



Spatial Economics Research Centre

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Bins, LEPs, Mayors and Growth

Writing yesterday about calls to [devolve more powers to Mayors](#) with the aim of boosting city growth I pointed out that "passing powers to city leaders limits central government's ability to affect urban economic performance. The coalition's approach to this is to combine decentralisation with incentives for growth."

One story yesterday - [concerning weekly bin collections](#) - highlights the fact that both the government and public are going to struggle with this way of dealing with the localism agenda. Waste generate lots of externalities (energy in production of packaging, what to do with the waste). Because some of these externalities (global warming, landfill) extend beyond local boundaries, the policy environment imposes constraints on local policies e.g. taxes or land fill and targets for recycling. Conditional on these constraints local councils are then free to do what they want in terms of bin collections. So the constraints allow them freedom to choose but within a context where their choices are made to take in to account the wider impact (economists often talk of 'internalising the externalities'. This is how much localism will need to work in practice, but it causes problems when central government doesn't like the decisions that local authorities reach. Rather than imposing solutions, however, the appropriate response is to change the constraints (which the UK government is looking to do in terms of food collection through national subsidy).

This reminds me of a different debate, around the formation of LEPs, that ties in with yesterday's debate about mayors and growth. I am broadly supportive of the move from RDAs to LEPs, mostly because I think the latter constitute a better level at which to formulate policy. My main reason for thinking this is because LEP [boundaries can more closely match local economies](#) which I think should lead to better policy making. This is why I would have been keen for the government to set a framework for LEPs that gave incentives to local authorities to create sensible LEPs. Instead, the government allowed free reign, but with BIS saying yes or no to the proposed partnerships. Of course, these two processes may achieve roughly the same outcome but economists still tend to argue that incentives/constraints plus free choice leads to better outcomes than free choice but with central government veto.

Posted by [Prof Henry G. Overman](#) on [Wednesday, June 15, 2011](#)

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