



Spatial Economics Research Centre

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Made in Britain

Talking about his programme "Made in Britain", [Evan Davis](#) suggests that "the service sector raises a number of problems. Here's the nub of it: old industries – manufacturing industries – had lots of good reasons to disperse geographically. You had shipbuilding in Sunderland, steel in South Wales and coal scattered around the country. The new industries are brainy industries and so-called knowledge workers tend to like to be near other people who are the same. Think of the City or Hollywood. People cluster. This means you have winning regions, such as London and Cambridge, and losing regions. The people who want to be top lawyers in Sunderland are hoovered up by London."

I think this is correct. Face-to-face contact is more important for services and this raises the importance of geographical proximity for both production and innovation. Paradoxically, globalisation and ICT, by raising the rewards to innovation have reinforced the benefits of clustering to drive innovation. As Evan Davis points out, these changes have benefited some places more than others. But in terms of understanding the impact on poorer individuals I think that the increasing returns to human capital, as a result of technological change and globalisation, are a much more important part of the story than the within country shift of activity from north to south.

Posted by [Prof Henry G. Overman](#) on [Tuesday, May 10, 2011](#)

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