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Spatial Economics Research Centre

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Local growth

The government launched its [White Paper on sub-national growth](#) last week. This spells out the government's approach to local growth policy, lists the first local enterprise partnerships (LEP) to get the go ahead and spells out some of the details of the £1.4bn regional growth fund.

There are, unsurprisingly, complaints from LAs whose LEPs proposals have not yet been accepted. These complaints have been reinforced, by some impressive mis-reporting on the consequences of this (LAs outside LEPs can still be part of consortium bidding to the regional growth fund, despite initial press coverage to the contrary). Others complain about the overall amount of money available. Coverage has been largely overshadowed by the continuing row over housing benefit. This is a pity, because the White Paper spells out an interesting shift in the approach to local growth.

The previous government aimed to get poorer places catching up with richer. That is, it argued for making places more similar. This was always going to be very difficult. First, because the market amplifies small differences across places. Second, because different people choose to live in different places (e.g. higher skilled in the South East) and who you are is much more important than where you live in determining well being. Government *might* be able to overcome these two countervailing forces, but it would require spending so much money that no government could credibly commit to delivering on the objective. Given that the coalition government intends to spend a lot less money it has simply ditched the objective and accepted that places will be different. At the same time it has also recognised that who you are is as much, if not more important than where you live. This realism is encouraging, because it forces policy to consider the best course of action given local circumstances. This requires decisions made by local communities - hence the shift to LEPs from RDAs. For most policy areas this is a shift in the right direction (I still think there are concerns around transport and land use).

The White Paper then turns its focus to regulations (e.g. land use) and removing barriers to work (e.g. disincentives created by the benefits system). I might have quibbles with the details (e.g. I still don't see that the New Homes Bonus will be large enough), but these considerations are fundamentally important and were not well addressed by existing policy. They will also need to take centre stage in a world where the government has decided to spend much less money.

That brings us to the final part of the White Paper and the proposals for the Regional Growth Fund. In short, £1.4bn of money will be allocated to projects on the basis of competitive bids to central government. I can see there are arguments in favour of this mechanism: local areas have incentives to put forward their best projects, government chooses the best of the best; but it does fit uncomfortably with the decentralisation agenda. Personally, at a minimum, I would have liked to see some funds going to LAs to fund LEPs for them to do what they want in the broad area of local development.

Overall then, I think this represents a step in the right direction. Of course, whether the structural changes are enough to offset the large reduction in expenditure remains to be seen. I am, perhaps, less pessimistic than some because I think a lot of the previous "investment" was wasted. Others, I am sure, would strongly disagree with that assessment.

Posted by [Prof Henry G. Overman](#) on [Monday, November 01, 2010](#)

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