



Spatial Economics Research Centre

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The case for abolishing Regional Development Authorities?

The TaxPayers Alliance thinks that Regional Development Agencies [should be abolished](#).

RDA's were established in 1999 to help raise the growth rates of all regions and to narrow the gap in growth rates between the richest and poorest regions (so that the richest regions didn't keep pulling further ahead). The Tax Payers Alliance argue that regions did better between 1995 and 1999 than they have done since and that RDA's should thus be abolished. If only things were that simple.

To consider whether RDA's should be abolished we need to know what would have happened if they didn't exist. If we assume that regions would have carried on growing post-1999 as they had between 1995 and 1999 then RDA's have been bad for growth. But whose to say this would have happened. Perhaps regions would have grown much slower if it weren't for the efforts of RDA's. After all, the UK's recent economic growth performance is generally considered as comparing pretty favourably to other similar nations. In this scenario, RDA's have been quite good for growth.

What about the gap between the growth rates of rich and poor regions? Again, it depends what we think would have happened without RDA's. Perhaps London and the South East would have pulled even further ahead?

A deeper question relates to whether these two goals, greater growth everywhere and narrowing the gap in growth rates between rich and poor, are mutually compatible ([SERC's first policy paper](#) has more on this). For example, the TPA's alternative policy recommendation is a cut in the small business rate of corporation tax. I see that this might do something for growth everywhere, but how, exactly, would this help with the gap in growth rate between the regions?

Personally, I am agnostic on RDA's. There is a serious debate to be had about policy objectives. There is a need for more [evaluation of their net impact](#) (what things have RDA's made happen that wouldn't have happened otherwise) and a comparison to the opportunity costs. There is also much more evidence needed on which policies, if any, need regional coordination. If only answering all these questions was as simple as a before and after comparison of regional growth rates ...

Posted by [Prof Henry G. Overman](#) on [Tuesday, August 12, 2008](#)

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