



**City Region Economic and Development Institute
(CityREDI)**

**Submission of Evidence to Business Innovation and Skills
Select Committee**

**Powerhouses and engines: Government policy and
regional growth**

Timeliness of the Select Committee

1. CityREDI is a new research institute focussed on understanding major city-regions across the globe to develop better national and local policy and practice for economic growth¹.
2. CityREDI welcomes the Business Innovation and Skills Select Committee and its timely intervention designed to explore and make recommendations to Government on its powerhouse policy, strategy and delivery, including the important question about its relationship with emerging devolution within these areas.

What do initiatives such as the "Northern Powerhouse" and "Midlands Engine" mean in practice for business?

3. The 'elephant in the room' is that nobody really knows what is really meant by a 'powerhouse'² and businesses are struggling to understand where they fit in and how they engage. Whilst the definition and underlying characteristics in economic terms are not explicitly spelled out by Government it is perhaps one of those cases where you might know one when you see one.
4. Powerhouses are a response to the intensification of global competitiveness. By 2050 80% of the 9.7 billion world's population will live in cities³. A big challenge

¹ CityREDI see - <http://www.birmingham.ac.uk/schools/business/research/city-redi/index.aspx>

² A powerhouse is defined as a person or thing of great energy, strength or power.

³ Department of Economic and Social Affairs, United Nations, 2015 Revision.

facing existing UK cities is future emerging cities. England is highly centralised. The primary UK government response to globalisation is to maintain the competitiveness of London. This megacity is a giant multiple monopoly of financial, economic and administrative power. Every year about £90 billion worth of public money is used to pump-prime the capital. Londoners receive £5,203 more per head on capital investment than people in the West Midlands who receive £389 per head (IPPR, 2013). It sucks in all the top talent, the big corporates, and the HQs. It has access to huge financial risk capital. All aspects of policy across Whitehall, from housing policy to setting interest rates, to subsidising the arts, makes London a first-order priority. It has its own special mega projects and budgets. It also has its own Mayor and devolution model. It is in every sense an established powerhouse, with a structure business can engage with.

5. In its 2015 Election Manifesto⁴ the Government committed to two new powerhouses – the Midlands Engine and the Northern Powerhouse. National policy for these commitments is fuzzy. Firstly, there is a sense of ‘packaging’ these areas together as ‘counterweights’ to the London powerhouse but also using their assets and characteristics as ‘magnets’ for attracting and competing for investment on a global scale.
6. This aggregation to a pan-region level is in itself thought to attract greater attention and opportunities through greater visibility at the global level (Florida, R, 2008; HMT, 2007). The scaling, it is suggested, also brings opportunities through greater internal awareness of connectivity and synergies between places and initiatives for both production and consumption purposes.
7. For it to work efficiently for businesses more recent economic theories such as the New Economic Geography (Krugman, P, 1991, 2010; Gardiner et al, 2013) suggest that it must draw on real growth opportunities founded on existing agglomeration (Glaeser E.L, 2010) (through diversification, increasing returns (Krugman P, 1991) and knowledge and technological spillovers)(Nathan, M et al, 2016) or clusters (Porter, M. E, 1998) (through specialisation) or indeed both. The traded economy and a differentiated strategy are deemed to be key aspects for competitiveness from a ‘place-based’ perspective (Porter, M. E, 2011; McCann and Ortega-Argiles, 2011). Regions differ substantially in their existing endowments and future potential and so there is a real validity for more localised and customised market interventions to maximise productivity and economic growth as a nation.
8. The Midlands Engine and Northern Powerhouse developments do not currently directly impact on the business operations of the majority of the business base in these places. Soft anecdotal evidence from social media, the press and local business events even suggests some initial confusion over powerhouses and over all the various different arrangements that play into devolution. This arises, to some extent, from the diversity that spans the UK, the different pace and timelines for

⁴ The Conservative Party Manifesto, 2015, pp 12 and 13.

different places, the different local choices being made and the complexity of the devolution deals themselves.

9. Having said that, there are a growing number of businesses, business representative bodies and business support agencies that are behind the Midlands Engine flagship. There are a lot of practical activities already underway. For example the joint marketing work being undertaken by the automotive sector, a National Innovation and Skills Audit that is being done on a pan-region scale, as well as increasing awareness of trading opportunities and trade missions, planned connectivity improvements and particularly the promotion of airports and the opportunities linked to high speed rail. This is all coming together as part of the Midlands Engine that now has a Prospectus, coordinated by Sajid Javid MP, Secretary of State for Business Innovation and Skills. This overarching positioning document is said to be driving a £34billion impact on productivity⁵.

What evidence is there that they will bring tangible economic benefits and improve UK productivity?

10. In the pursuit of clarity of purpose around powerhouses we must not lose sight of the central question about a new localism, based on an aspiration for securing ‘universal’ local economic growth across the UK (HMG, 2010, 2011). To do this there is a need to know how to secure local economic growth in different places. In recent times there has been increasing concern about the lack of evidence about what works, particularly exacerbated by the demise of Regional Development Agencies (Bentley et al, 2010). This has led to the creation of several what works centres across government policy, including the What Works Centre for Local Economic Growth⁶. This was set up to review the existing evidence base. The quantity and coverage of high quality existing evaluation is nevertheless found to be weak. However, there have been a number of reviews of the best available evidence⁷ and, from these, lessons have been drawn out about the impact of different interventions, their relationships, and contribution to pathways to outcomes, as well as seeking to determine the dynamics within complex adaptive economic systems and the impact of different comparative conditions.

⁵ Midlands Engine - <https://www.gov.uk/government/news/midlands-engine-fired-up-to-drive-34-billion-worth-of-productivity-and-growth>

⁶ London School of Economics Local Economic Growth What Works Centre - <http://www.whatworksgrowth.org/>

⁷ London School of Economics Local Economic Growth What Works Centre - <http://www.whatworksgrowth.org/> - see evidence reviews across Business Advice, Area Based Initiatives, Employment Training, Transport, Innovation and Apprenticeships.

11. A lot of the analysis however has proved insufficient to be conclusive but has demonstrated considerable insights into what has not worked. As a result there is increasing recognition of a need for more high quality evaluation work.
12. There are for example some big remaining questions at the micro level, such as how does adaptability relate to growth? (Fingleton, B, 2012, Martin, R, 2012) What limitations or benefits arise from path dependencies? (Martin, R, 2011, 2012, Gardiner et al, 2013) How does diversification assist reorientation? Does the existing skills and sectoral base shape the pace and direction of structural change? How varied is innovative capacity?
13. There is also an increasing menu of causal influences which puts great weight on size and agglomeration (Glaeser, E.L, 2010) and a prevailing view about the power of existing agglomeration economies (Overman, H et al, 2008, Nathan M et al, 2013). Both agglomeration economies and diseconomies affect productivity and growth. There is also a case made for specialisation and the role of the export base (Ricardo, D, 1817, Rodrik, D, 2004). There is a lot said about human capital, skills mix and creativity (Florida R, 2002, 2005, Glaeser, E.L, 2004, Wolfe, D.A, 2011). Linked to this is the importance of the innovation system (Florida, R, 2005), clusters and spillovers. Others have drawn attention to institutional collaboration – the strength of networks and supportive institutions (Glaeser E.L et al, 2004). High quality infrastructure is also seen a necessary pre-condition for economic growth, in terms of both physical and softer forms of connectivity, as well as cultural amenities. Effective business and local leadership and governance arrangements are also identified (Bentley et al, 2016). It's also plausible that public spending patterns affect growth, but it's less clear from the evidence that these are the prime driver or that the impacts are always very large. Some of the big government relocations seem to show significance, such as the BBC move to Salford and the logic, economic and business cases embedded in the Lyons Report⁸. However, some scepticism has been expressed about the lack of associated quality analysis to underpin relocations, the experience to date about underestimated 'up-front' costs and the impact on economic re-adjustment in places where there is high public sector dependency (Centre for Cities, 2010). Interestingly, transport is viewed positively and is well evidenced as having impacts, such as the cases for big transport infrastructure such as Crossrail, HS2 and airport development, but it appears that there is less quality evidence to substantiate impact of local rail, roads, buses and trams, although the evaluation standard here is set high (WWC, 2015).
14. What is very interesting in all of these approaches is the centrality of scale to realise real economic benefits and the importance of cities and their conurbations.

⁸ Lyons Report -

http://www.civilservant.org.uk/library/2004_lyons_independent_review_of_public_sector_relocation_exec_summary.pdf

15. There is also a need for analysis in and for the region that is not only robust but comparative. This means a focus on not only other UK regions but other global agglomerations that city-regions here compete with and/or complement. This will provide a better understanding of why our city regions are less productive than many other places (and what can be done about it), and what positively differentiates the city regions (rather than all picking the same ‘winners’).
16. These are all fundamental issues that play out differently in different places, in different place based micro complex adaptive economic and social systems, leading to attribution problems in determining causal factors, mixes or clusters of interventions and their appropriate dosages.
17. CityREDI is well placed to address these issues in places. It is for example supporting the West Midlands Combined Authority Productivity Commission. This is exploring eight lines of inquiry into the region’s productivity gap based on the drivers (enterprise, skills, investment, competition and innovation) (ONS, 2016) and the conditions (housing, culture and environment, and well-being) (ONS, 2016).
18. In this context powerhouses clearly have a role to play. The primary economic objectives for places are based on the local strategic economic plans that optimise value creation and quality of life outcomes for all. Powerhouses cut across some of these key themes and their role needs to be weaved in appropriately to contribute to the delivery of these shared outcomes in a way that adds value and avoids duplication. This has not yet been done in a meaningful and significant way in either the North or in the Midlands. Nor is there an explicit and defined set of ‘powerhouse’ functions in London, although the Mayoral model is probably the primary driver.
19. There is perhaps a relevant research literature to explain how powerhouses could work. This is based on the concept of spatial imaginaries (Jessop, B, 2012) and the debates between relational and territorial geographies. Some previous locally-led examples of these in the UK include Transpennine/Northern Way and the Midlands Way. Nevertheless, neither of these initiatives transformed their areas.
20. There is evidence nevertheless from elsewhere that has explored the benefits of developing ‘soft’ spatial imaginaries as opposed to ‘hard’ territorial spaces. It draws on estuarial city regions in the UK – the London Thames Gateway, the Atlantic Gateway/Mersey Belt and the Humber Ports (Allmendinger, P et al, 2009, Haughton, G et al, 2015). There has also been considerable experimentation in Continental Europe such as the Baltic Sea, Danube, Alpine and North Sea and Mediterranean regions. There are also examples where the spatial imaginaries formed new more primary territories, largely through increasing and accentuating connectivity, including high speed rail, such as the Province of Brabant in the south of the Netherlands⁹.
21. The lessons here play into the powerhouse concept as waves of region building and rethinking generate new spatial imaginaries linked to specific purposes and help

⁹ See High Speed Rail & Connected Cities, Independent Transport Commission, 2016, p52.

explain, to some extent, the existing explosion in experimentation around local growth strategies in the UK.

22. However, a lot of the findings perhaps point more towards re-orientation and creative tension to re-invent place over time rather than a more parallel multi-scalar co-existence and mutually reinforcing approach, as envisaged to date in powerhouse developments in the Midlands and the North. There is no intent, as far as we are aware, to adopt powerhouses to replace existing territories or emerging ones, such as combined authorities, elected mayors and local enterprise partnerships. There is rather, a clear place for 'soft' spaces and 'fuzzy boundaries' in the emergent strategic planning system to enable businesses and the public sector to innovate. It also provides the opportunity for testing the extent to which privileged scales and sectors can be meaningfully identified in current economic restructuring processes, especially in this context ones led nationally. This faces the challenge for places in seeking differentiation.
23. So the answer to the question is it is still early days for these new powerhouse developments. This has the advantage of not closing down emerging opportunities as the new devolution arrangements embed into the delivery system for economic growth. However, the theories of agglomeration economies, theories of branding and place marketing suggest there is a case to be made for powerhouses at this scale, even though the geographies do not reflect the strongest fit with functional economic market areas that act, by definition, as the primary economic units for action and analysis. Nevertheless functional market areas are defined in multiple ways that provide different lines to be drawn and can vary considerably when considering production as opposed to consumption processes. Fuzziness provides a partial answer to this problem, allowing for a more flexible and adaptive environment where changing markets can come more to the fore, over political boundaries.
24. Whilst the practice so far in the North and the Midlands is to aggregate upwards all the sum of the parts arising from the bigger scale of geography, the real question is not where is the biggest powerhouse but what value is added at this geography and against what costs.

What is the Department for Business, Innovation and Skills' role in delivering the Northern Powerhouse and Midlands Engine? What responsibilities will/should it devolve?

25. As Regional Development Agencies have been replaced by Local Enterprise Partnerships and new assemblies and a Parliament put in place in UK nations and London, new devolution deals are being struck primarily with the larger English cities, with associated arrangements for directly elected mayors. There is no level playing field or even consistency in the arrangements that have emerged, largely because 'one size fits all' national policy, both spatial and spatially blind policy, has in the past failed parts of the UK (Harding, A, et al 2016). Nevertheless, there is still an issue about equality of opportunities as part of diversity and ultimately, the role this diversity then plays in the distribution of future growth. Places should be able to realise what is possible based on a level playing field, subject to demonstrable

capabilities and competence. This is not about repeatedly 'earning autonomy' or securing support for economic growth initiatives, but the genuine transfer of powers, functions and freedoms arising from a new democratic legitimacy brought about by the bridging of the democratic deficit at the conurbation level in cities.

26. This recognises that places differ substantially in their current endowments as part of the economic structure (industrial sectors, skills, housing) and in terms of the future potential. Logically it follows that there are strong reasons for doing things differently in different places, playing to the strengths. The West Midlands for example is very different from London and the South East. However, London based central government has shown it is not adept at configuring policy to meet the needs, strengths and opportunities of the places beyond London and the South East.
27. A critical issue here is the prominence of devolution initiatives embedded in combined authorities, devo-deals and strategic economic plans. The powerhouses should really be seeking to scale and add value to these existing initiatives, not become a competing or duplicating force. So in the West Midlands the HS2 Growth Strategy is a highly significant local issue of national significance that requires the powerhouse voice to sell the case and benefits to the world. Whereas the work of the West Midlands Combined Authority Productivity Commission, investigating the drivers and conditions for growth, will essentially focus on the interactions and conditions within the functional economic market area, because therein lies the main challenges, and many of the solutions, with only second-order issues spilling over into the pan-region area, perhaps mainly around sectors and supply chains, and where the Midlands Engine role may only be to help realise the synergies.
28. There is also a concern to avoid confusing stakeholders and the public. It is fundamental therefore to provide coherent overall arrangements for devolution and the powerhouses. In our view powerhouses must be configured to fit within devolution and the existing and emerging priorities of the combined authorities, local enterprise partnerships, and directly elected mayors and their transformative visions. It must be this way round and primarily 'bottom up'. It is only then that these powerhouses will emerge and work effectively, nationally and globally.
29. So the question raised here is primarily a question about BIS, but not necessarily only for BIS. The origins of the Midlands Engine stem from local joint work including the formation of Midlands Connect¹⁰ in 2014. It was a grassroots city and region 'bottom up' driven initiative and some transport studies were jointly commissioned about west-east public transport. It was a result of local collaboration that the Midlands Engine became a national government manifesto commitment. Whilst a number of additional initiatives have emerged, the BIS Secretary of State and local MP has taken the initiative in forming a wider scope for the collaboration that more formally includes the South East Midlands.

¹⁰ Midlands Connect - http://www.wmita.org.uk/media/1069/midlandsconnect_a4brochure_final_lowres.pdf

30. So we think overlapping boundaries, hard and soft relational arrangements and hard territories will feature in the new landscape for local economic growth. In the West Midlands the emerging devolution arrangements already include overlapping 'spheres of influence'. The combined authority as the statutory body includes seven metropolitan areas. The business voice is represented through the direct engagement and inclusion of the three local enterprise partnerships and a commitment to a shared strategic economic plan. In addition some surrounding local authority districts provide a further 'working' geography. In this context, the Midlands Engine is another 'sphere of influence' and designed primarily for international purposes.
31. It would make sense, on this basis, for powerhouses to be led through the collaboration of devolved administrations. The functions associated with powerhouses, questions about trade, new markets and attracting inward investment in particular, we think, could usefully be devolved to elected mayors and combined authorities. This would mean the Midlands Engine business would be driven by 'bottom up' collaboration with multiple elected mayors, combined authorities and local enterprise partnerships, collaborating in more 'soft' relational arrangements, scaling up to secure the bigger 'prizes', generating greater overall public and private value, with the backing, support and collaboration of central government. This would also make it seamless to factor in related functions, carried out by combined authorities and local enterprise partnerships like business support, skills, R&D and innovation, into the case-making and branding of the powerhouse.
32. We know there are significant trade-offs to be made that could be better judged if decided at the devolved level in a more integrated way. For example focusing on full employment policies can reduce productivity (through more low-skill, low-pay jobs). Resourcing business start-ups rather than encouraging FDI probably lengthens the timescale over which growth and improved productivity happens and increases the risk that it won't happen, but the resulting home-grown activity is probably more embedded and likely to stay in the area. Again, these outcomes need to be better understood (through analysis) and provide an input into the devolved arrangements for policy which has the power and resources to effect the best outcomes for localities. The balance that is struck locally should ultimately inform the nature and focus of the powerhouse strategy, bringing stronger coherence.

What are the implications of the focus on the Northern Powerhouse and Midlands Engine for the South-west and the South-east outside of London? Are there lessons that can be learned that could be applied to these regions? Is there a risk that some areas can lose out as a result of devolution? How can this risk be managed? How does the level of Government investment in the Northern Powerhouse and Midlands Engine compare to London and the South-East? Is it sufficient to enable a stronger economy in the North that can offset the pull of London?

33. The commitments for powerhouses from the Government came with a stated intent to rebalance the economy. This is by no means a 'zero-sum' game. There has been a paradigm shift back towards realising exogenous, rather than endogenous, growth (Hildreth, P, 2009). There is also considerable debate about different forms of rebalancing – sectoral, public-private, spatial, social and temporal (Gardiner, B et al, 2013). The evidence seems to suggest that Government policy has strong underlying intent to tackle the first two but largely at the expense of the final three. When Ministers refer to rebalancing there is often no acute attention to this sort of detail. NEG models for example suggest it is counter-productive to pursue geographically balanced development (Gardiner et al, 2013).
34. There are alternative economic theories centred on the discourse between people-based versus place-based strategies and policies. Space neutral policies (World Bank, 2009, OECD, 2009, 2012) focus attention on people. Place based policies (Barca, F, 2009, 2012) focus attention on place.
35. An illustration here is the way in which London sucks in graduates from across the whole UK. CityREDI contributed to a national report on Productivity and Graduate Mobility, led by the Government Office for Science, working across five government departments, six cities and six universities. The initiative was designed to explore the issue and consequences of London as the only city to net gain graduates. Space neutral theorists see nothing wrong with talent being sucked into London from elsewhere. This strengthens London as a competitive city and its position in the global war for talent. On the other hand, place based theorists are interested in the 'stickiness' of place and how places seek to retain their graduates as part of the future workforce and development of the new economy.
36. There is also some interesting evidence that shows graduates in their thirties returning back out of London. This dynamic brings with it important knowledge, skills and innovation gained from London. So whilst London takes in lots of graduates from other UK cities it also exports older families to the rest of the UK (including lots of 30-somethings to Birmingham). There's evidence in the UK (Gordon, I, 2015) and in the US (De La Roca, J et al, 2012) that people become more productive in big cities and take those gains with them if they leave. This ought to help the destination cities, though the returning numbers in the UK are insignificant to those places, in comparison to the gain of graduates for London.
37. This debate about 'people' (Cheshire, P et al, 2014) and 'place based' policy (Barca, F, 2009, 2012) making has led some to suggest a mismatch between the rhetoric and the policies of local growth in the UK. These relate to inconsistencies in the way that different competing economic ideas in circulation within government have been adopted in practice. One of the cases made suggests powerhouses are simply part of government rhetoric. They suggest the underlying economic ideology and framework remains essentially neo-classical and there is no substance behind the 'place-based' stated intentions of local growth devo-deals, local enterprise partnerships or powerhouses (Hildreth, P and Bailey, D, 2013). What is meant here by the underlying economic framework is the shift of focus from exogenous growth

from the mid-1970s to mid-1990s to endogenous growth to 2010, with a further shift to the New Economic Geography in 2010 (Hildreth, P, 2009).

38. The underlying point is important because the framework lays the foundations and contributes to the macro economic conditions within which policies will be adopted. Many governments have in practice focused attention on just the outcomes, like jobs and investment, and whether the policies, such as enterprise zones and tax incremental financing, will achieve them, with little reference to the prevailing applied economic theory and its effectiveness for people or places. So for example there is, it is suggested, a mismatch between intentions for rebalancing and the use of the underlying macroeconomic policy instruments to set the frame for the economic conditions.
39. Whatever the underlying intent around rebalancing, the conclusion is that strategy and resource patterns are yet to demonstrate how distinct spatial commitments to the Midlands Engine and a Northern Powerhouse are to be supported to make a difference, and London remains 'locked in' as the primary, if not the only, existing UK powerhouse. Nevertheless, it is still early days in what is an ambitious intention.
40. So in directly returning to the questions uniformity in spatial place-based policy seems to be an oxymoron. The rebalancing of the economy is said to be a big driver for the powerhouses and so there is a suggestion that the output gaps in the Midlands and the North underpin these specific initiatives. On that basis, there is no reason for uniformity. But if other places want to adopt powerhouse strategies then an inclusive approach works insofar as it doesn't undermine the strategic intent of national rebalancing and growing the agglomerations in the Midlands and the North. This returns to the ultimate question as to the role and funding behind central government's intention to rebalance the economy through the Northern Powerhouse and Midlands Engine and what it stacks up to.
41. Government economic policy suggests local economic growth is universally possible across the nation in a globally competitive environment. The Government is also clear that it wants to support those areas that have the largest potential for growth. Nevertheless, there is a serious need to address the level playing field for different devolution across the nations and to rebalance the economy.
42. Clearly for decades now the South East and London have been pump-primed at the expense of the rest of the UK. Any analysis of public expenditure demonstrates that investment-led expenditure (productive expenditure such as education, infrastructure, science, R&D) is targeted in London and the South East and ameliorative expenditure (social cost expenditure such as welfare benefits, crime, social care, ill health) is more dispersed as a consequence. This pattern became deeply accentuated in the eighties. In more recent times the ameliorative expenditure is being reduced as part of 'rebalancing' the deficit and debt, so for example £27 billion has been taken out of the system of welfare arising from the reforms since 2010 (Beatty, C et al, 2016).

How effectively do umbrella terms such as the Northern Powerhouse unite potentially disparate business communities, local authorities and Government departments? How effectively are business interests represented and engaged in decisions? How do the different devolution deals in the North and relationships between local authorities impact on business?

43. The Midlands Engine is not just a Government initiative. It has its backing as evidenced by the launch of its own prospectus¹¹, led by the Secretary of State. The Midlands Engine is functioning in an organic, adaptive and flexible way where local actors and institutions are choosing to collaborate to ‘punch greater weight’. There is a focus on the traded economy and how our places reveal themselves to investors and markets abroad, whether in Shanghai, Tokyo, New York, Beijing. There is ambition to achieve greater parity of opportunity with the London powerhouse through a powerful brand to attract investment, trade and new markets (Pike, A, 2009, 2012) There are economic advantages and plans for cooperating on skills, science, innovation, supply chains, sectors and R&D. The ‘engine’ in the Midlands Engine represents a ‘new producer’ heartland, through its strengths in advanced manufacturing, engineering, science and education. The foundations are its distinctive automotive sector, energy accelerator research, connectivity and exporting potential. The Midlands Engine brand scales the Midlands for the world. This is its USP and how it adds value to a progressive devolution agenda which is being shaped and structured below it.
44. Anecdotally it seems in practice these brands do usefully unite, at least in the Midlands. The Midlands Engine is becoming a useful shorthand way of associating strategic issues and developments with the general good of the overall wider area. Because of its fuzziness and lack of hard-edged boundaries it does not fall into the trap of making divisions and creating a ‘them’ and ‘us’ mentality that has arisen as a result of more rigid boundaries or territories as experienced at times in local government. The fuzziness and flexibilities mean loose collaborations and affiliations can be easily struck with powerful hard-hitting messages on scale, without getting tied up in complex webs of governance and administration.
45. In the Midlands Engine there is a loose infrastructure and an inclusive set of thematic groups that reflect a coalition of the willing and able. The Midlands Engine is not a statutory decision-making body with powers, nor does it hold sway over budgets. Nevertheless, the business communities in all of the associated regions have been increasingly supportive, with for example eleven local enterprise partnerships on board.

¹¹ The Midlands Engine Prospectus -

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482247/midlands-engine-for-growth.pdf

Does Government have effective systems in place to measure the return on investment in the Northern Powerhouse and Midlands Engine? How should Government evaluate the impact of these schemes?

46. First and foremost it is very important to secure a global perspective. Analysis in and for the region should be comparative, not just vis-à-vis other UK regions, but vis-à-vis other global agglomerations with which we compete and/or complement. This should be comprehensive in its approach and not just be about national government support or investment, important though that is, but also be about understanding the global market place, understanding who is doing what and what works, providing the basis for effective positioning and differentiation.
47. It is early days in the formation of strategies for the two powerhouses. It is a huge ambition and a 'long game' if London 'counterweights' are the expected outcomes. Of course, these powerhouses may never reach such megacity or mega-region proportions in scale and scope, but rather provide foundations on which to secure better returns from their respective agglomerations. There is in particular a concern to see these areas realising their full potential and bridging their output gaps.
48. There also needs to be more clarity about the nature, scale and scope of central government investment. At the moment the announcements being made by Ministers in relation to the powerhouses are largely based on the 'repackaging' of existing resources provided through other means. On that basis the return on investment at powerhouse scale needs to either replace other forms of accounting and assessment or be very clear about the specific investments that are going to be provided in this way. It seems alignment through the devolution arrangements would make sense where elected mayors and combined authorities will have a mandate for giving account on how resources have been used.
49. As part of this is a need to understand how these powerhouses will work. The 'spatial imaginaries' aspects of soft spaces and fuzzy boundaries will enable the branding and marketing to attract investment, trade and new markets by primarily focusing on getting these places more firmly on the global map and competing for major investment, trade and new markets by speaking with one voice backed up by rapid and responsive joined-up delivery.
50. Independent evaluation needs to be clearly aware at the outset of the baselines, expectations and experimentations that are implicit within such developments. Ex ante and post hoc analysis will be required as appropriate because certain expectations are currently understood and can be shaped now, but other aspects are still to be determined, and flexible approaches are key to success. Ultimately we want to know 'ceteris paribus' whether powerhouses work and how to improve their impact on productivity, growth and the quality of life for all.

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Richard Kenny

[City-RED!](#)

Birmingham Business School

University of Birmingham

University House

Tel: 0121 414 4366 (Ext: 9666)

Mob: 07885 733 862

E-mail R.Kenny@Bham.ac.uk



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