

A Magyar Regionális Tudományi Társaság XIV.  
vándorgyűlése

# REGIONAL ECONOMIC DEVELOPMENT IN THE UNITED KINGDOM AND THE POSITION OF THE METROPOLITAN AREAS AFTER THE MILLENNIUM

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# OUTLINE

- A brief summary of the regional economic development processes in the United Kingdom after 2000
  - The North-South divide
  - London's excessive dominance
  - The position of the metropolitan areas
  - Rebalancing the UK economy
  - The Brexit decision and the regions

# THE REGIONAL PROBLEM IN THE UK

- The UK is a relatively developed nation amongst the EU countries (around 130% of the EU average per capita GDP)
- Historically characterised by persistent and significant economic disparities, which further grew during the economic crisis (and the economic boom periods, too) and seem to remain stable at a higher level
  - The most backward region, West Wales and the Valleys: 80%; the most prosperous, Inner London West: 600% of the EU average

**Variation coefficient of the GDP per capita relative to the UK average at the NUTS 1 level and at the NUTS 2 level, in percentages**

	2000	2002	2004	2006	2008	2010	2012	2014
NUTS 1 level	27.1	25.8	24.7	25.0	26.8	27.0	28.4	29.6
NUTS 2 level	59.4	56.5	57.0	58.9	64.1	68.2	70.3	68.0

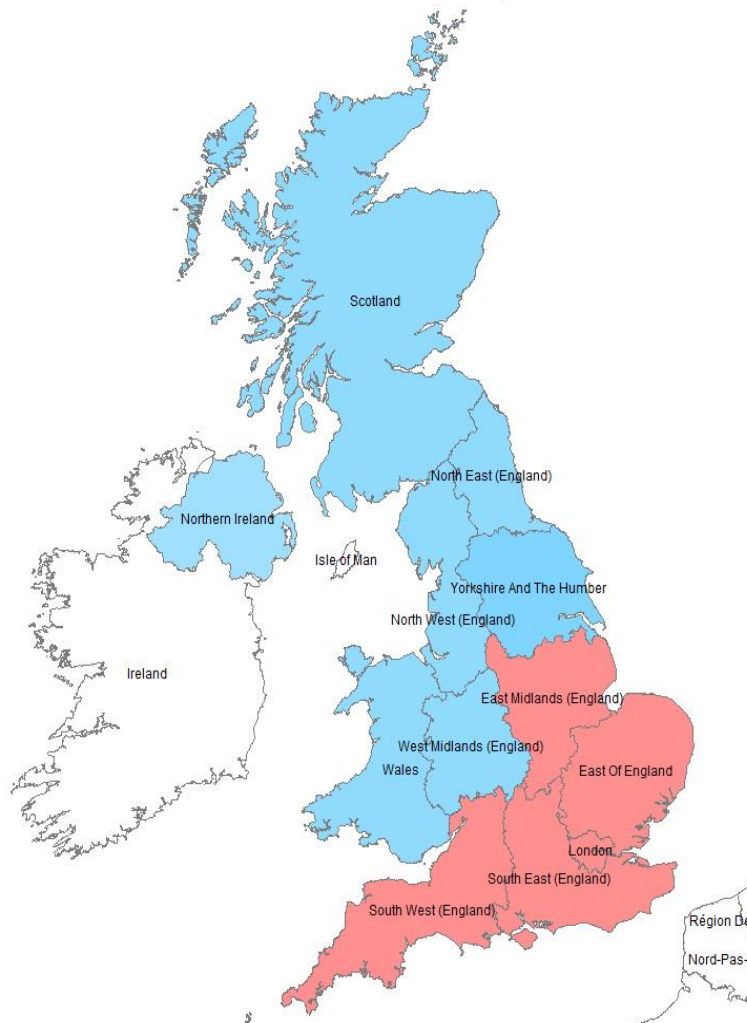
# THE REGIONAL PROBLEM IN THE UK

- To what extent is the high level of spatial imbalance a problem?
  - Is there a trade-off between spatial disparities and national economic growth? (Martin 2008)
  - New Economic Geography
    - Exploitation of various increasing returns
    - Policies that seek to reduce regional disparities are nationally inefficient (?)
    - Policy responses
  - Spatial economic imbalances may compromise national economic policies and growth (Gardiner et al. 2013)
    - Efficiency argument – underutilisation of economic resources in the less prosperous regions
    - Social equity argument – equal opportunities for jobs and incomes

# THE NORTH-SOUTH DIVIDE

- The phenomenon has deep historical roots back in the 19th century
- Simplification
- In broad terms, the divergence between the two areas is undeniable (Martin et al. 2015)
- Its existence is sometimes questioned
  - Local areas of economic depression and deprivation can be found in the South, while areas of growth and prosperity can be found in the North
  - The picture is more complex at the local level than it is at the regional scale
  - Even London has some areas of high unemployment and poverty
- All in all, areas of economic depression and deprivation have been more numerous in the North, while areas of economic prosperity have been far more numerous in the South

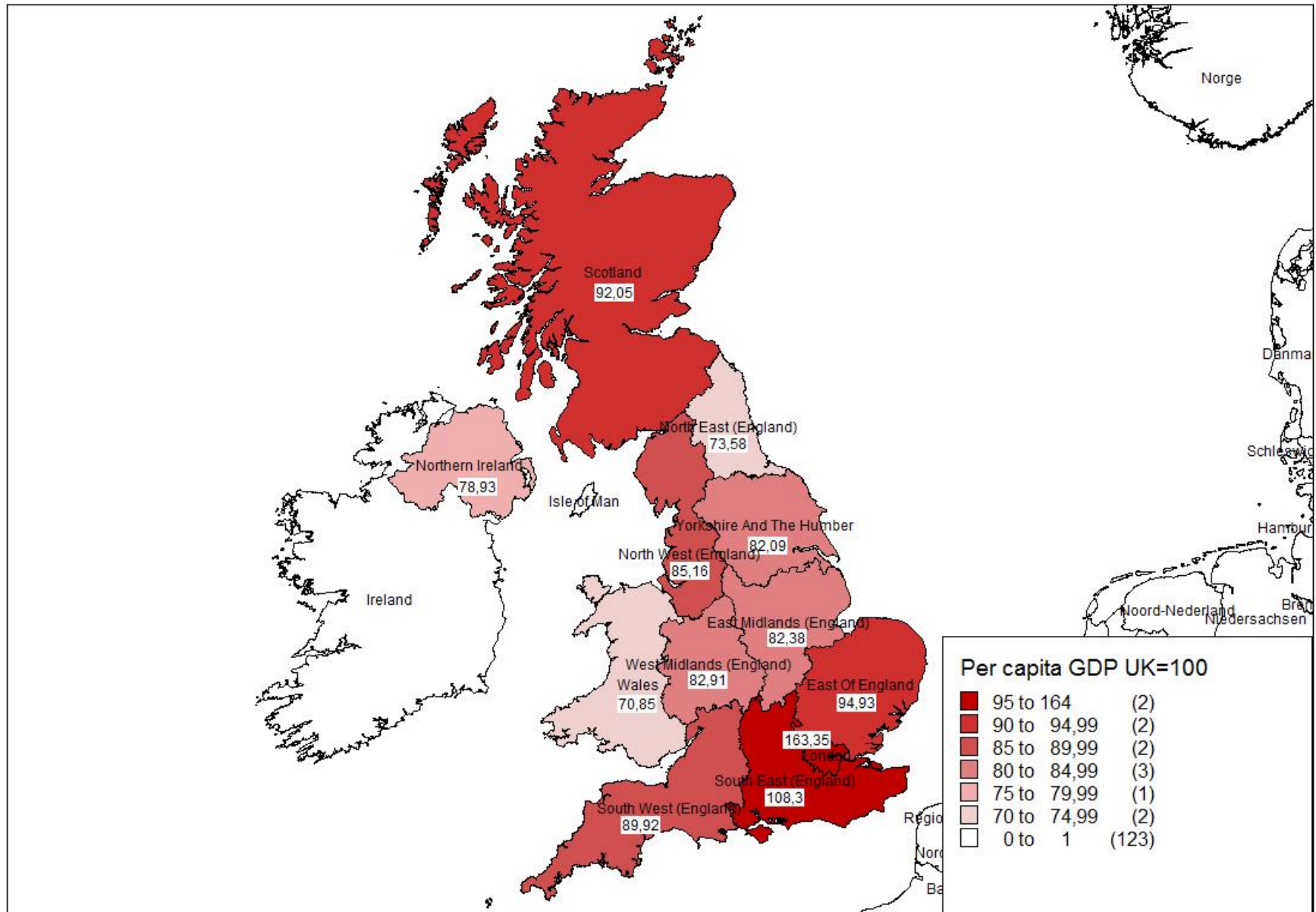
# THE NORTH-SOUTH DIVIDE



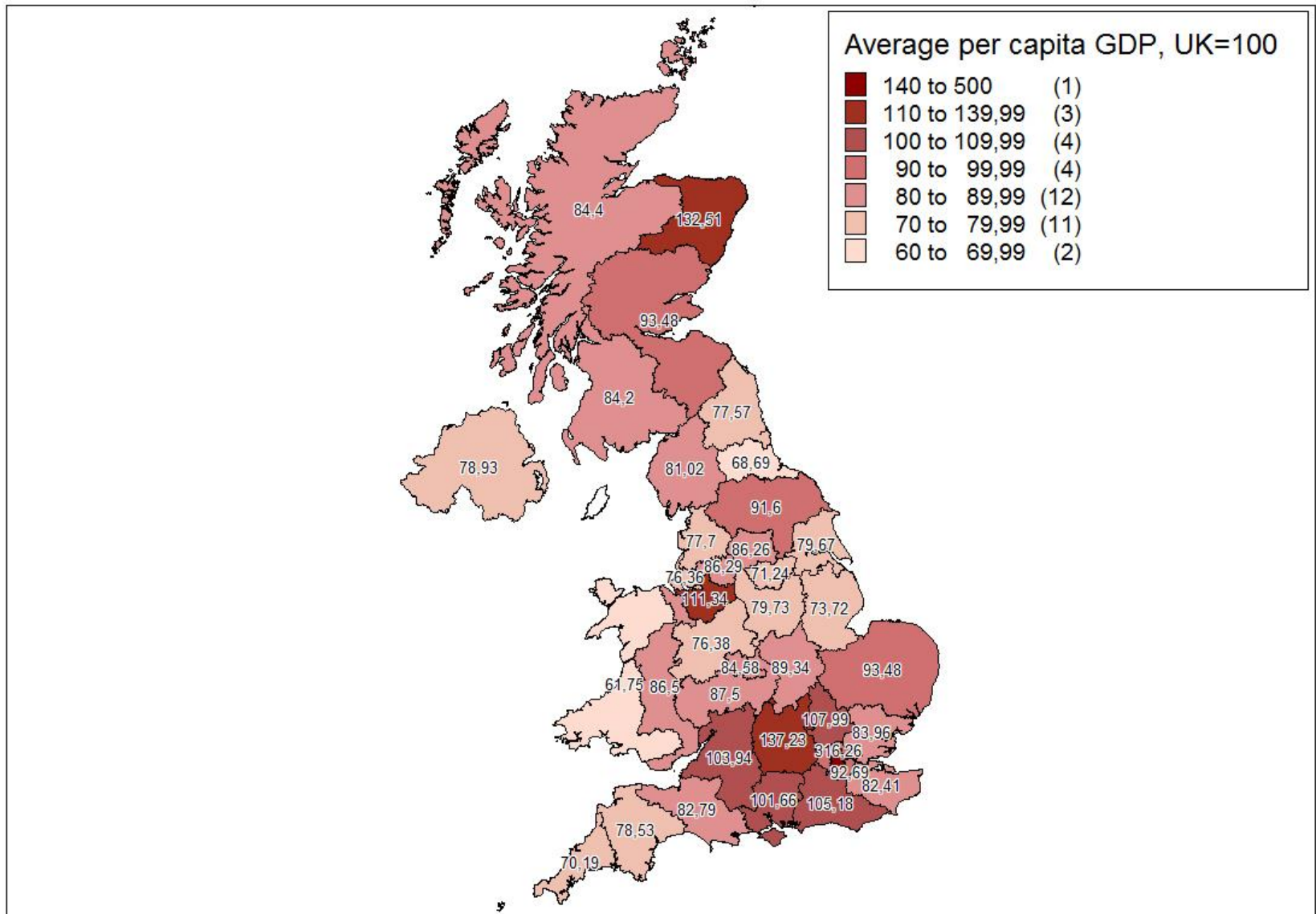
North-South classification (Gardiner et al. 2013):

- North: West Midlands, Wales, Yorkshire-Humberside, North West, North East and Scotland
- South: London, South East, South West, East of England and East Midlands
- Geographically: the dividing line is usually drawn between the Wash and the Severn Estuary

# THE NORTH-SOUTH DIVIDE

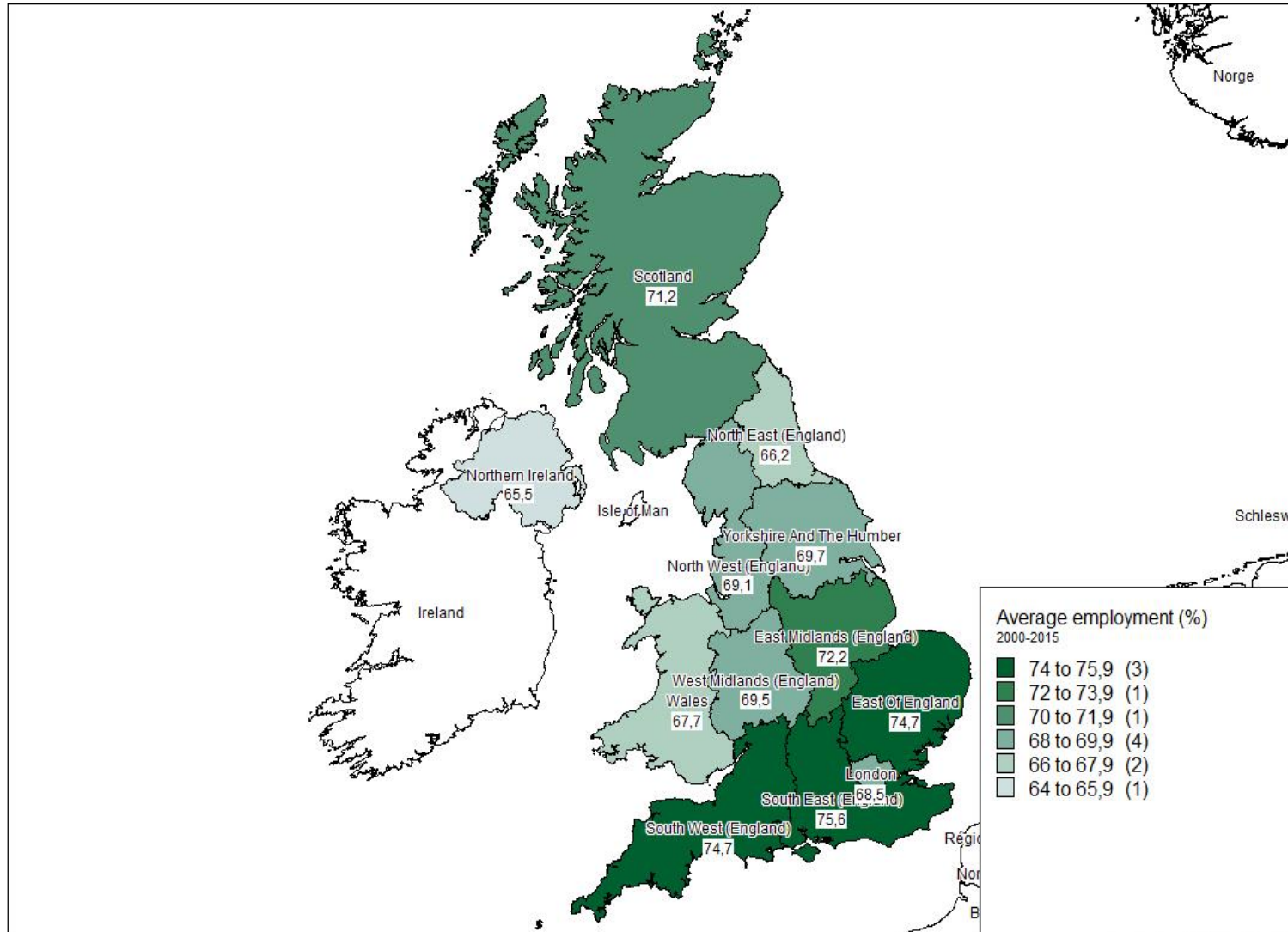


# THE NORTH-SOUTH DIVIDE





# THE NORTH-SOUTH DIVIDE



# THE DOMINANCE OF LONDON AND ITS HINTERLAND

- It is a systemic feature of the British model of national political economy (Martin 2015)
- Barlow Report (1940)
  - „Report of the Barlow Commission on the Distribution of the Industrial Population”
  - raised concerns that the concentration of economic activity and growth in London and the South East could lead to problems of congestion, urban sprawl and inflation
  - the control of London’s growth was necessary to reduce the disparities between North and South
  - measures should be taken to (re)locate fast growing industries to the slow growing regions.

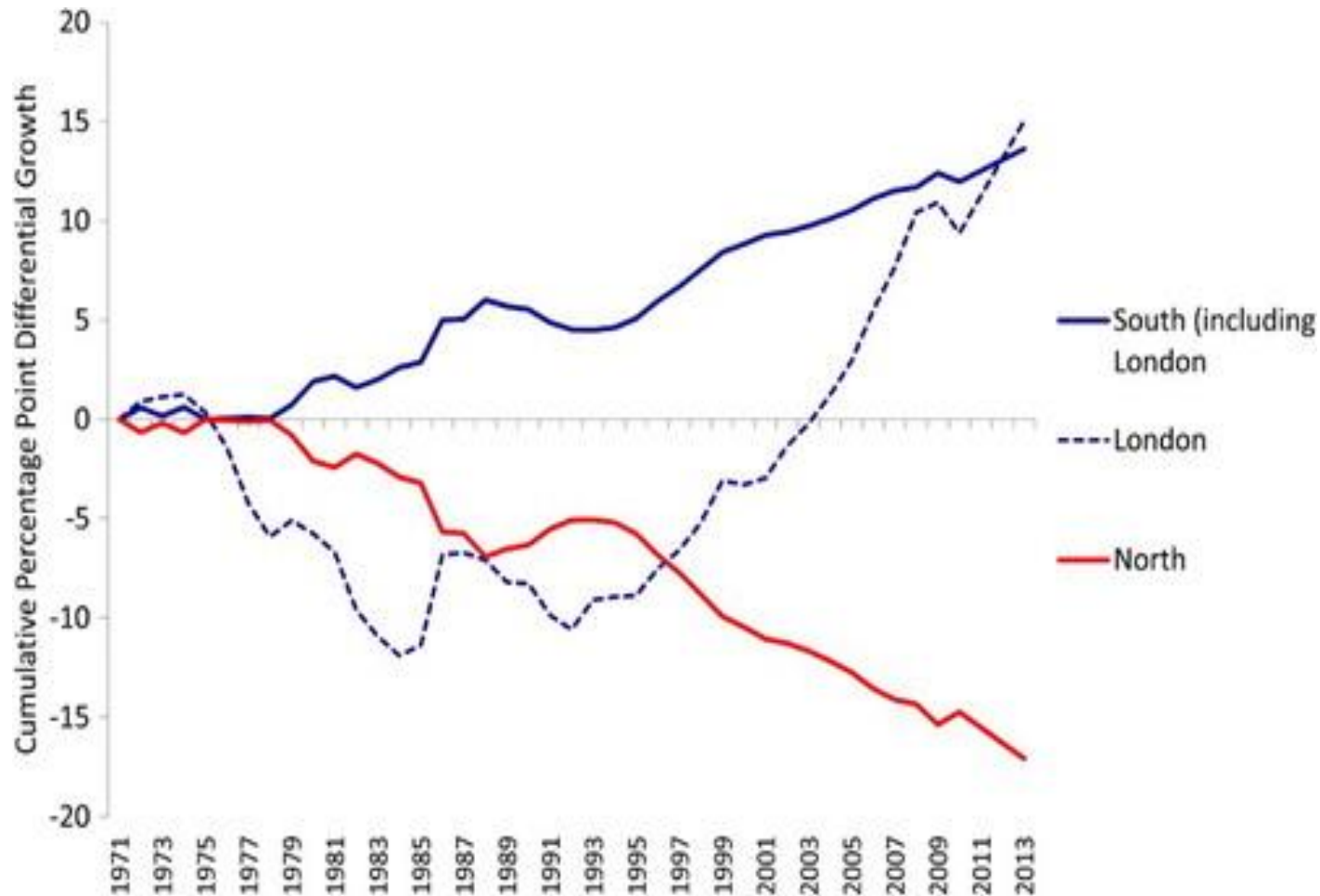
# THE DOMINANCE OF LONDON AND ITS HINTERLAND

**The share of the NUTS 1 regions from the population, employment and GDP of the United Kingdom**

	Population		Employment		GDP	
	1000 persons	%	1000 persons	%	Million euros	%
North East	2 614,8	4,06%	1 143,3	3,87%	66 700	3,00%
North West	7 120,4	11,06%	3 143,8	10,64%	209 557	9,43%
Yorkshire and The Humber	5 356,7	8,32%	2 408,7	8,15%	148 869	6,70%
East Midlands	4 614,0	7,17%	2 132,9	7,22%	133 084	5,99%
West Midlands	5 691,3	8,84%	2 478,4	8,38%	160 458	7,22%
East of England	5 981,7	9,30%	2 819,3	9,54%	194 081	8,73%
<b>London</b>	<b>8 477,3</b>	<b>13,17%</b>	<b>4 157,1</b>	<b>14,06%</b>	<b>509 402</b>	<b>22,91%</b>
South East	8 828,3	13,72%	4 170,2	14,11%	335 161	15,07%
South West	5 396,7	8,39%	2 488,4	8,42%	169 288	7,61%
Wales	3 095,1	4,81%	1 320,3	4,47%	75 976	3,42%
Scotland	5 337,5	8,29%	2 509,7	8,49%	172 744	7,77%
Northern Ireland	1 837,3	2,86%	787,6	2,66%	48 078	2,16%
<b>United Kingdom</b>	<b>64 351,2</b>	<b>100,00%</b>	<b>29 559,7</b>	<b>100,00%</b>	<b>2 223 398,0</b>	<b>100,00%</b>

# THE DOMINANCE OF LONDON AND ITS HINTERLAND

- A cumulative growth gap in GVA of nearly 40 percentage points had opened up between the southern and northern parts of the UK by 2011 (Martin 2015).



# THE DOMINANCE OF LONDON AND ITS HINTERLAND

- London is good or bad for the rest of the country? (Martin 2015)
  - The economy of Greater London generates demand for goods and services in the rest of the UK, and London is a major contributor to the taxes which help fund welfare payments and public spending across the whole nation (City of London Corporation 2011)
  - London is “a different country”, an “island” or a quasi-independent “city-state”, the UK is, actually, a “Disunited Kingdom” (Ganesh 2015)
  - London is a “black hole” which drains talent, investment and business from the rest of the country, Europe and the world (Sturgeon 2014)
  - The cities and regions outside London feel that the national policy is London-centric and ignores their needs and conditions (Wilcox et al. 2014)
- One of the most centralized national political and financial systems amongst the OECD countries is in the UK.
- London is the recipient of huge amounts of public expenditures on infrastructure, transport, education, health services and cultural institutions.
- It should be ensured that the less prosperous areas are able to realize their full economic potential, and proper and fair access to the public and private resources are needed for them. (Martin 2015)

# CHALLENGES FOR MONETARY POLICY

- London has been a recurring source of inflationary pressure
- In regions of persistent high activity, the rate of inflation at which growth is maximized is likely to be higher than the optimum rate in low-activity regions (Gardiner et al. 2011)
- The central imposition of system-wide credit controls or higher rates of interest aimed at stemming price inflation emanating from regions of high activity and high propensity to inflation ,penalize' regions of low activity and inflation propensity (for example by raising costs, restricting investment and making firms there less competitive in open markets)
  - „unemployment in the north of the UK was ‘a price worth paying’ for keeping national inflation low” (Norman Lamont)

# METROPOLITAN AREAS IN THE UK

- Metropolitan areas are considered to be the engines of economic growth in the country, but, of course, there is no uniform pattern for city development in Great Britain
  - UK cities are diverse and divergent (Martin et al. 2016)
- Promoting a 'mega-city region' in the North connecting Liverpool, Manchester, Leeds and Sheffield
- Polycentric view: 15 metro areas (City Growth Commission)
- Re-orientating the economies, improving the infrastructures, up-skilling the human capital, improving the interconnectivity and granting much greater financial and political autonomy in the cities of the North

# METROPOLITAN AREAS IN THE UK

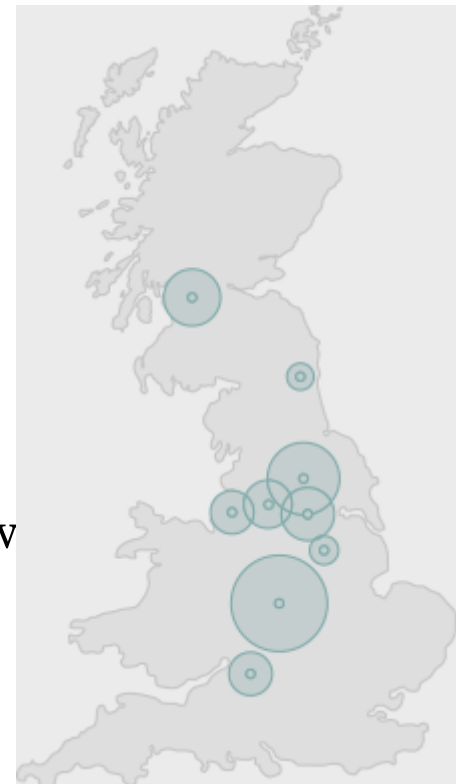
**Shares of the metropolitan areas in the total population, GDP, labour force and employment of the UK (%)**

	Population	GDP	Labour force	Employment
London	19,28	28,39	19,95	19,88
Birmingham	3,04	2,68	2,76	2,67
Leeds	1,86	1,88	1,83	1,8
Bradford	0,9	0,6	0,78	0,77
Liverpool	1,48	1,25	1,44	1,38
Manchester	3,01	3,01	2,9	2,86
Cardiff	1,03	0,88	1	0,98
Sheffield	1,43	1,06	1,39	1,35
Bristol	1,3	1,47	1,34	1,34
Newcastle	1,68	1,27	1,63	1,6
Leicester	1,08	0,9	1,03	1,03
Portsmouth	0,92	0,97	0,94	0,96
Nottingham	1,34	1,12	1,29	1,27
Glasgow	1,5	1,62	1,44	1,41
Edinburgh	1,19	1,48	1,2	1,22

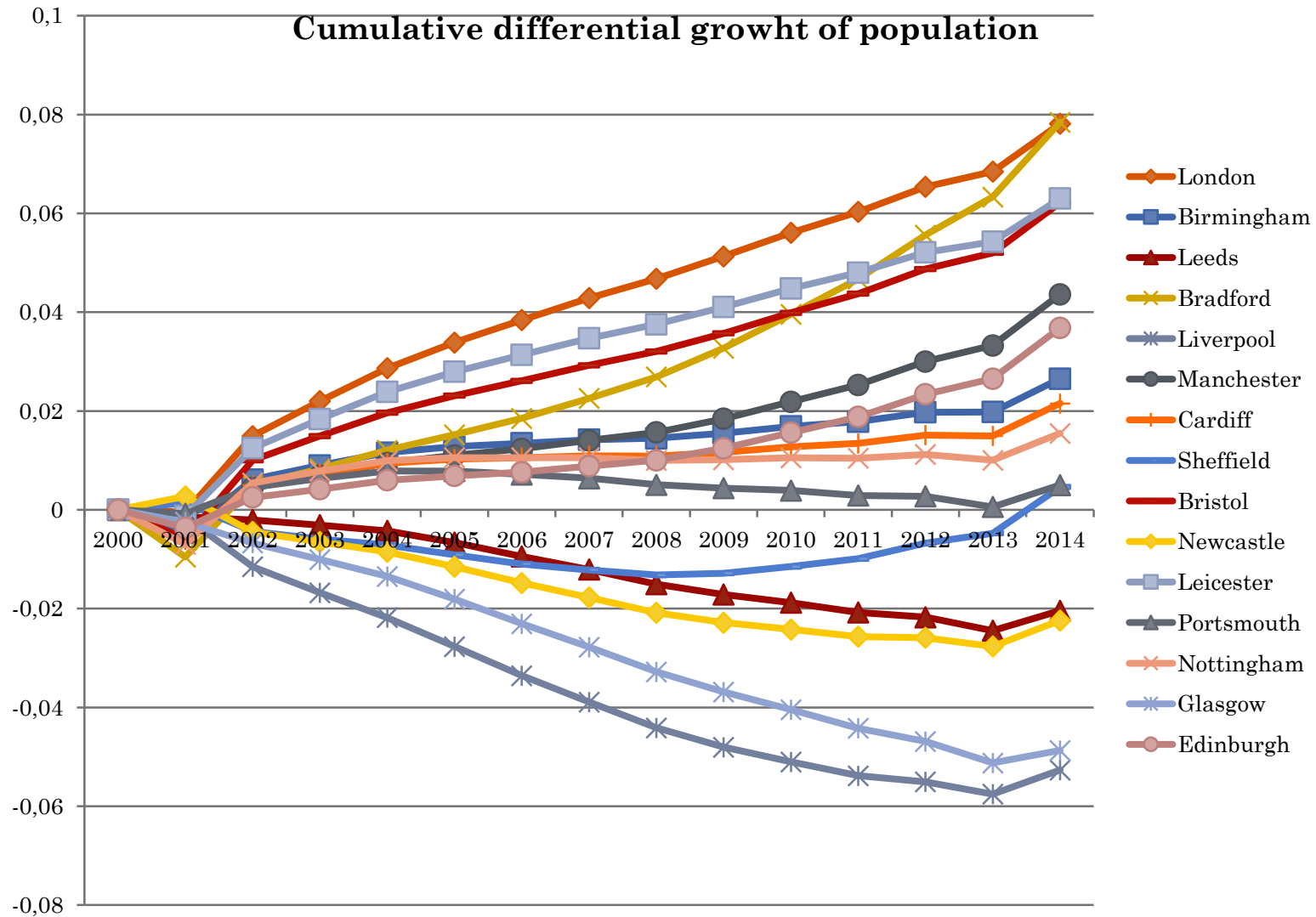


# METROPOLITAN AREAS IN THE UK

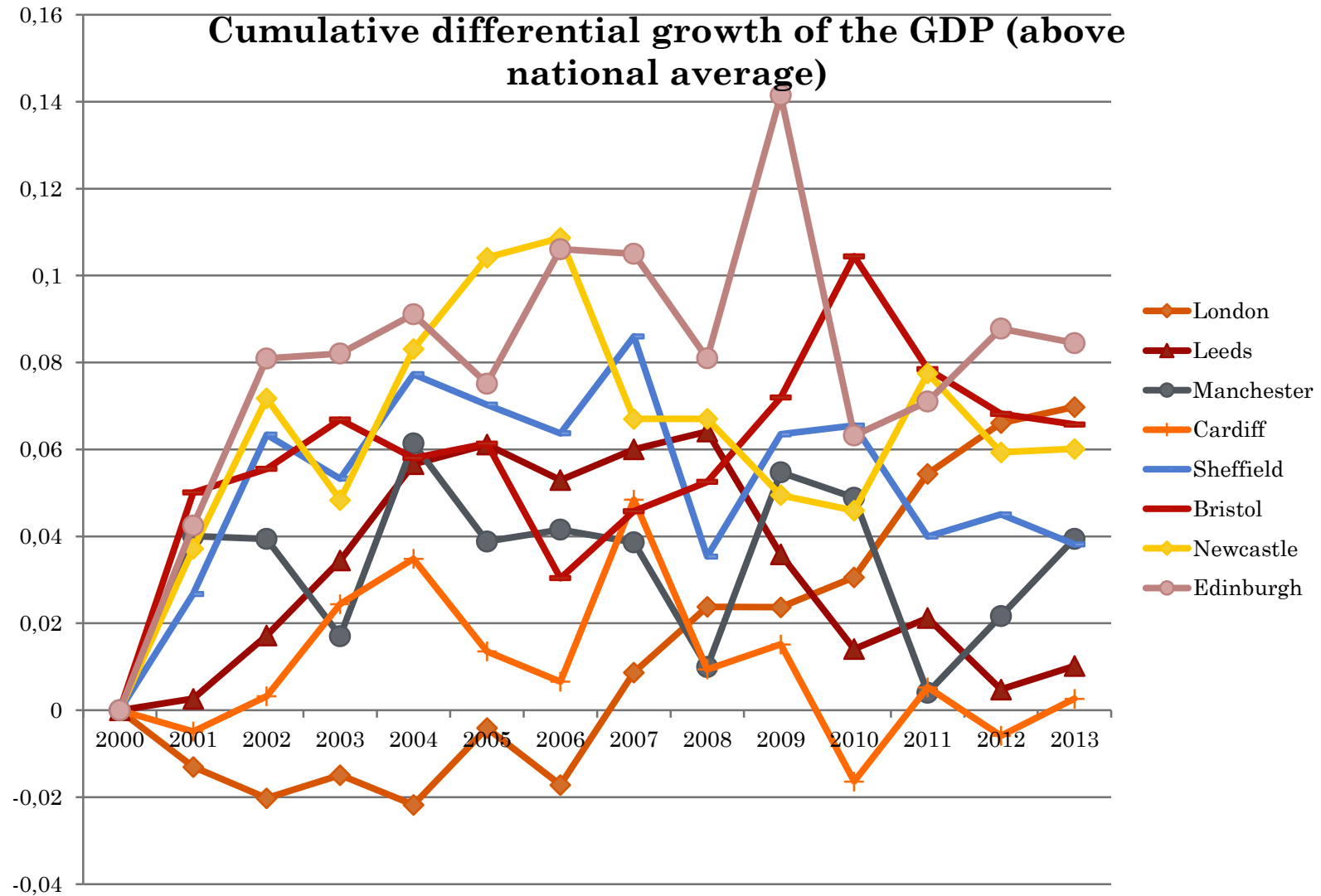
- Northern cities are growing more slowly than most southern ones, and a number of northern cities have shrunk in employment terms after the 1980's.
- Most of Britain's principal cities have lagged behind smaller cities, especially those in the South.
- The majority of the 'Core Cities' left behind the national growth rate in employment or output.
  - Only Bristol, Cardiff, Leeds and London have outperformed the national economy
  - Newcastle, Sheffield, Birmingham, Glasgow and Liverpool experienced a drop in their growth rate
- (The Core Cities group includes: Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield)



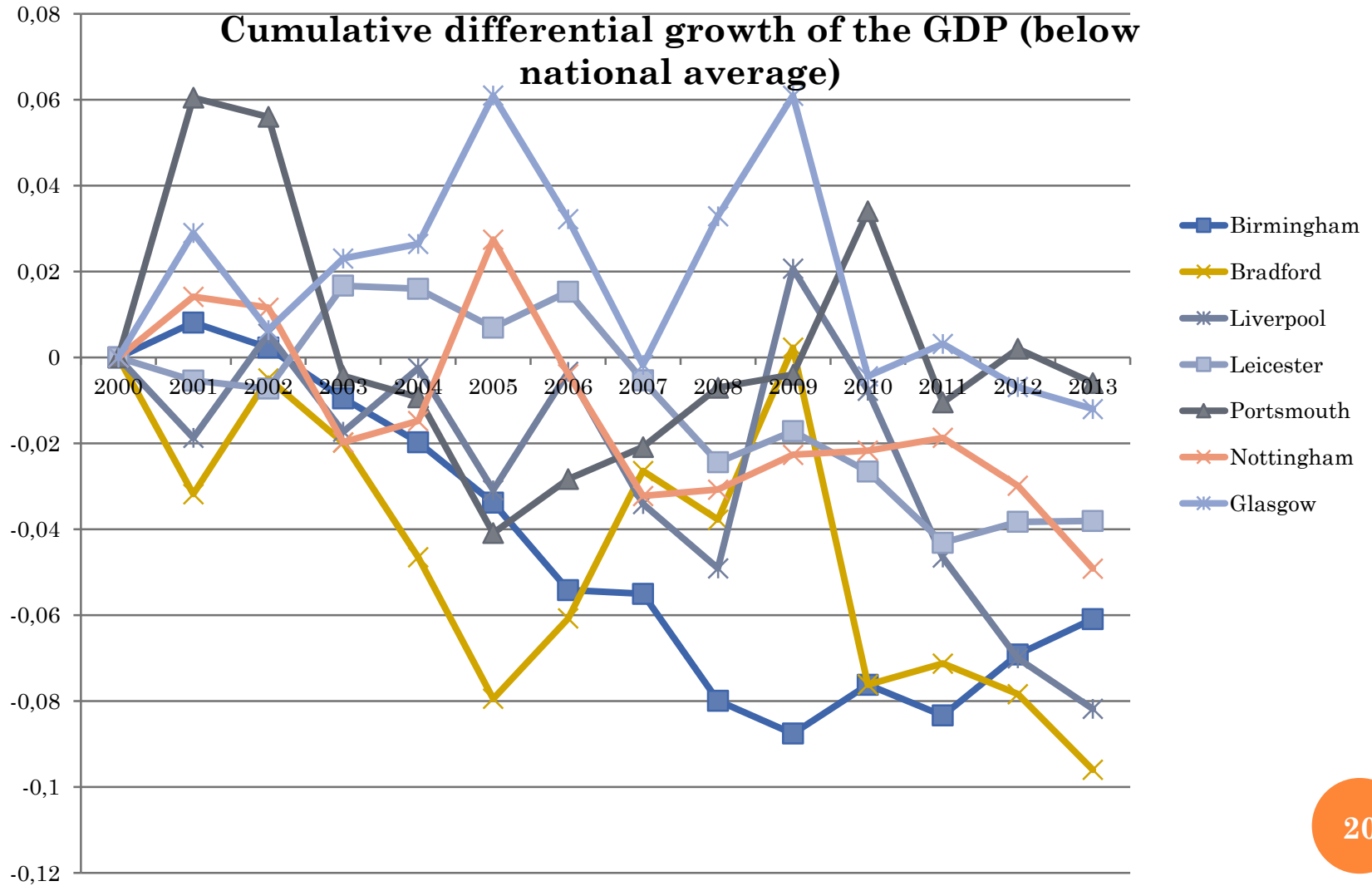
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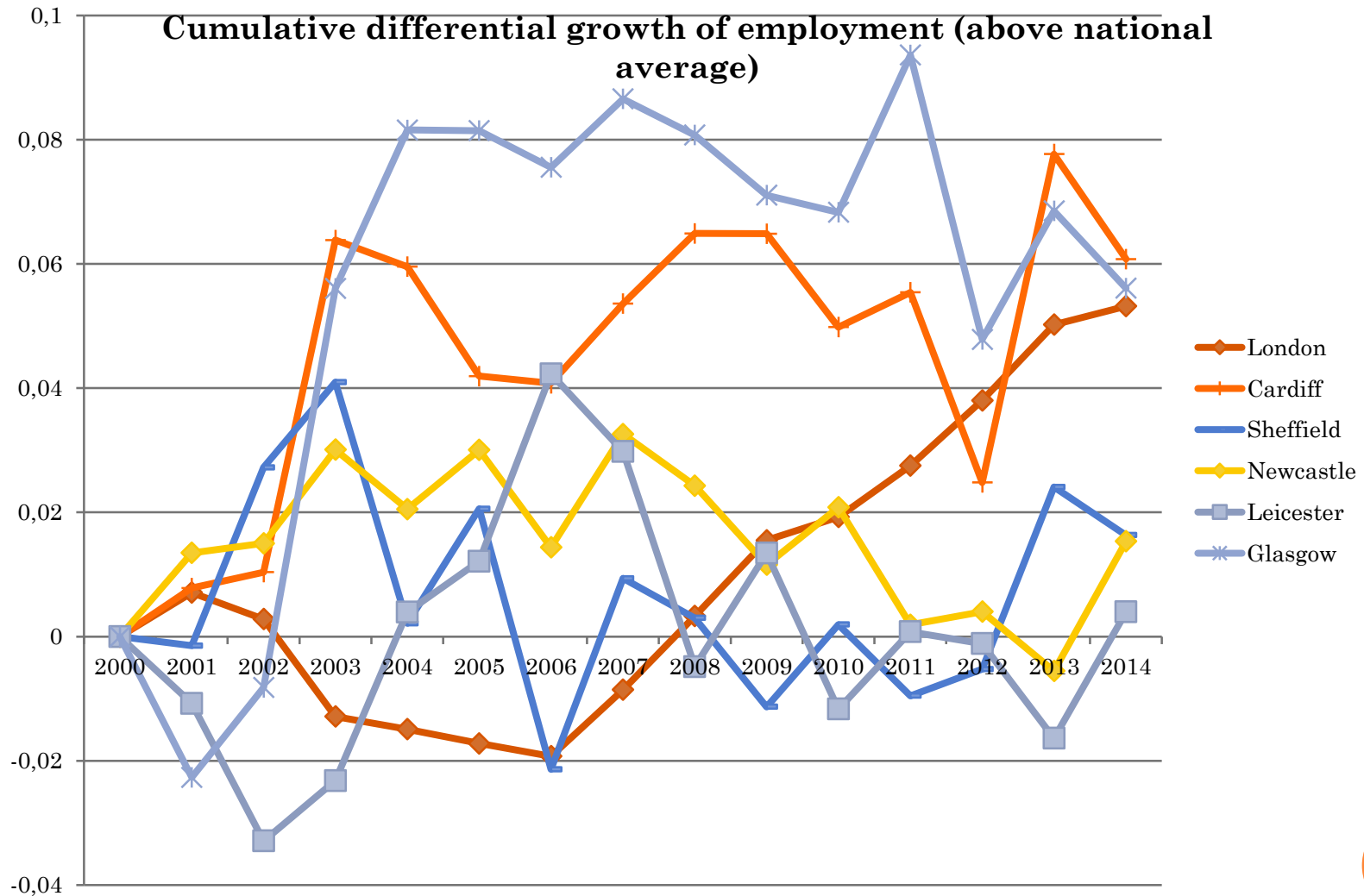
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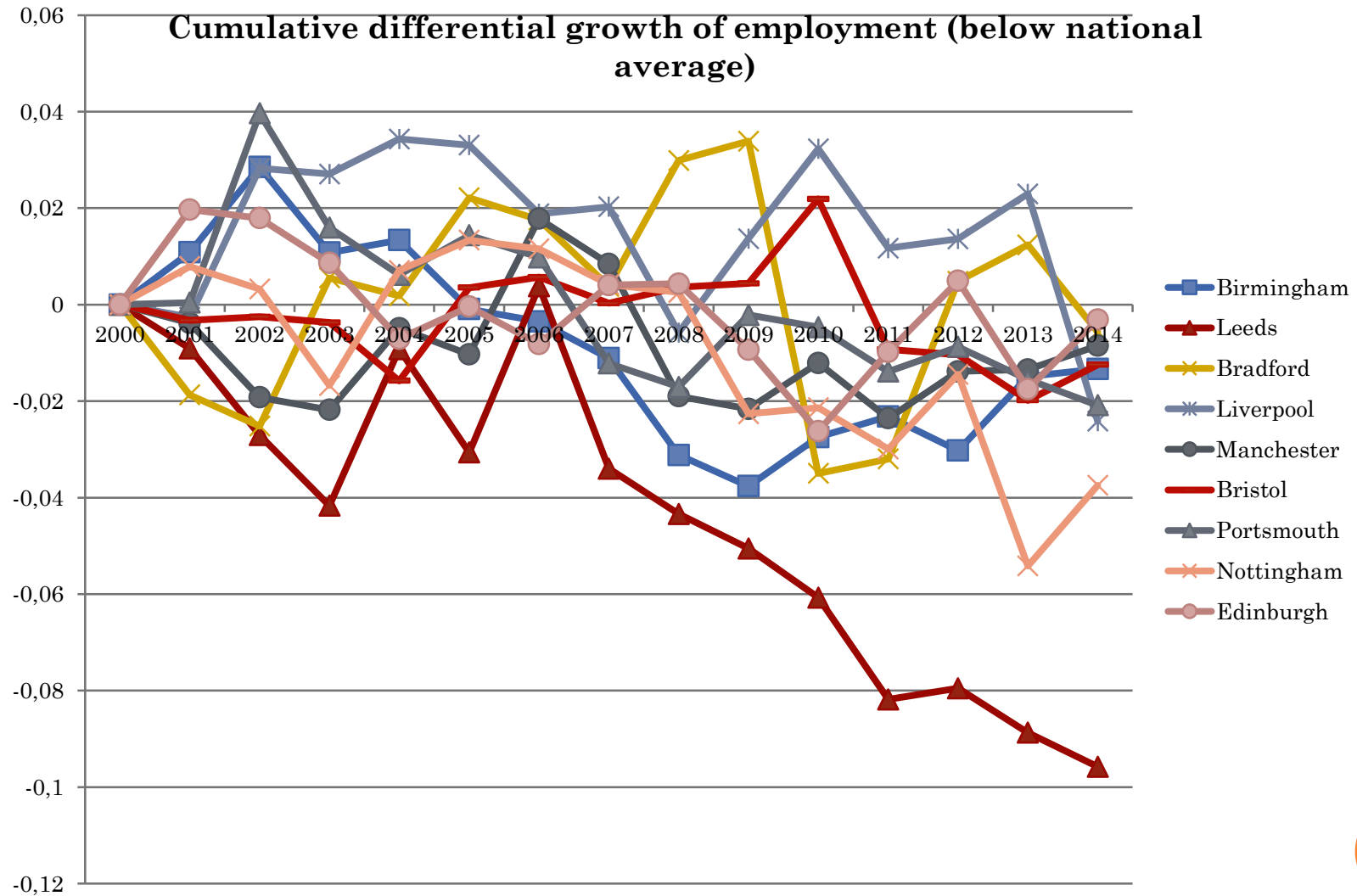
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# METROPOLITAN AREAS IN THE UK

What is the key of the city growth? (Martin et al. 2016)

- Size
- Structural specialisation versus diversification?
  - De-industrialization and structural reorientation
- Functional specialisation (e.g. head office functions, R&D, production,...), as a result of outsourcing
- Productivity growth and employment growth (negative correlation!)
- City-specific (competitiveness) components:
  - Human capital, innovative capacity, entrepreneurship, positive agglomeration externalities, local governance and policy regimes
- Purposive urban development policy: ‚New Town’ and ‚Expanded Town’ programmes in the post-war period
- The cities and their hinterlands are interconnected
- Some kind of activities prefer cities while others prefer smaller towns

# SPATIALLY RE-BALANCING THE UK ECONOMY

- The growth of the UK economy has been too dependent on a narrow range of activities (finance) and on one corner of the country (London and the Greater South East)
- There is much interest in the re-balancing of the economy at the highest government level and in the cities and the regions
  - (We need) „a plan to breathe economic life into the towns and cities outside the M25” (Cameron 2010)
- The ‚new local growth agenda’ includes: Local Enterprise Partnerships, a regional growth fund, local enterprise zones and city deals etc.



# SPATIALLY RE-BALANCING THE UK ECONOMY

- The ‚Northern Powerhouse‘ initiative
- Chancellor George Osborne MP (Osborne, 2014)
  - The cities of the North (Manchester, Liverpool, Leeds and Newcastle) are individually strong, but collectively not strong enough
  - A collection of northern cities, sufficiently close to each other combined would be able to rebalance the economy
  - Promoting growth in and devolving fiscal powers to a collection of northern cities sufficiently close to each other that, combined, would be a force to rival London and the South East
- Main elements:
  - Transport connections (rail, road, port, high speed)
    - „to create the equivalent of travelling around a global city“
  - Science and innovation
    - World-class universities
    - Turn science into products, jobs and growth in the North
  - Creative class
    - Arts, culture, natural environment (national parks, Victorian parks)
  - Fiscal power for city governments
    - Devolving powers through 25 City Deals
    - Elected, democratically accountable Mayors

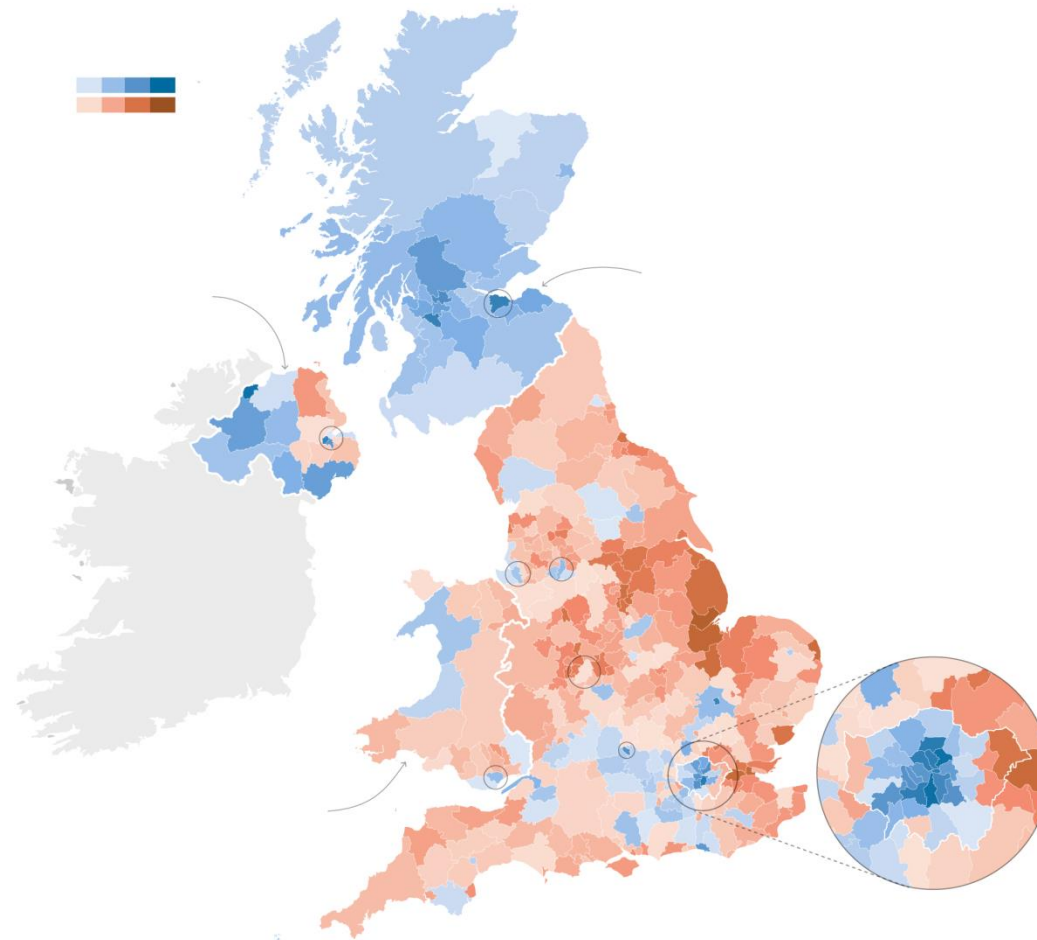
# SPATIAL RE-BALANCING THE UK ECONOMY

- A new policy model (Martin et al. 2015)
  - 1) Decentralising and devolving governance in England
  - 2) Institutional framework for coordinating policies for spatial imbalance across the UK
  - 3) Decentralisation of public administration and employment
  - 4) Fiscal devolution
  - 5) Decentralising the financial system

# THE BREXIT-DECISION AND THE REGIONS

- Springford et al. (2016) found a positive correlation between a region's level of economic integration with the EU and that region's euroscepticism
- London and Scotland, the most pro-EU areas of the UK, are less economically integrated with the EU than the UK average
- Outside the prosperous South East, both rural and urban counties are more integrated with the EU, and also tend to be more eurosceptic

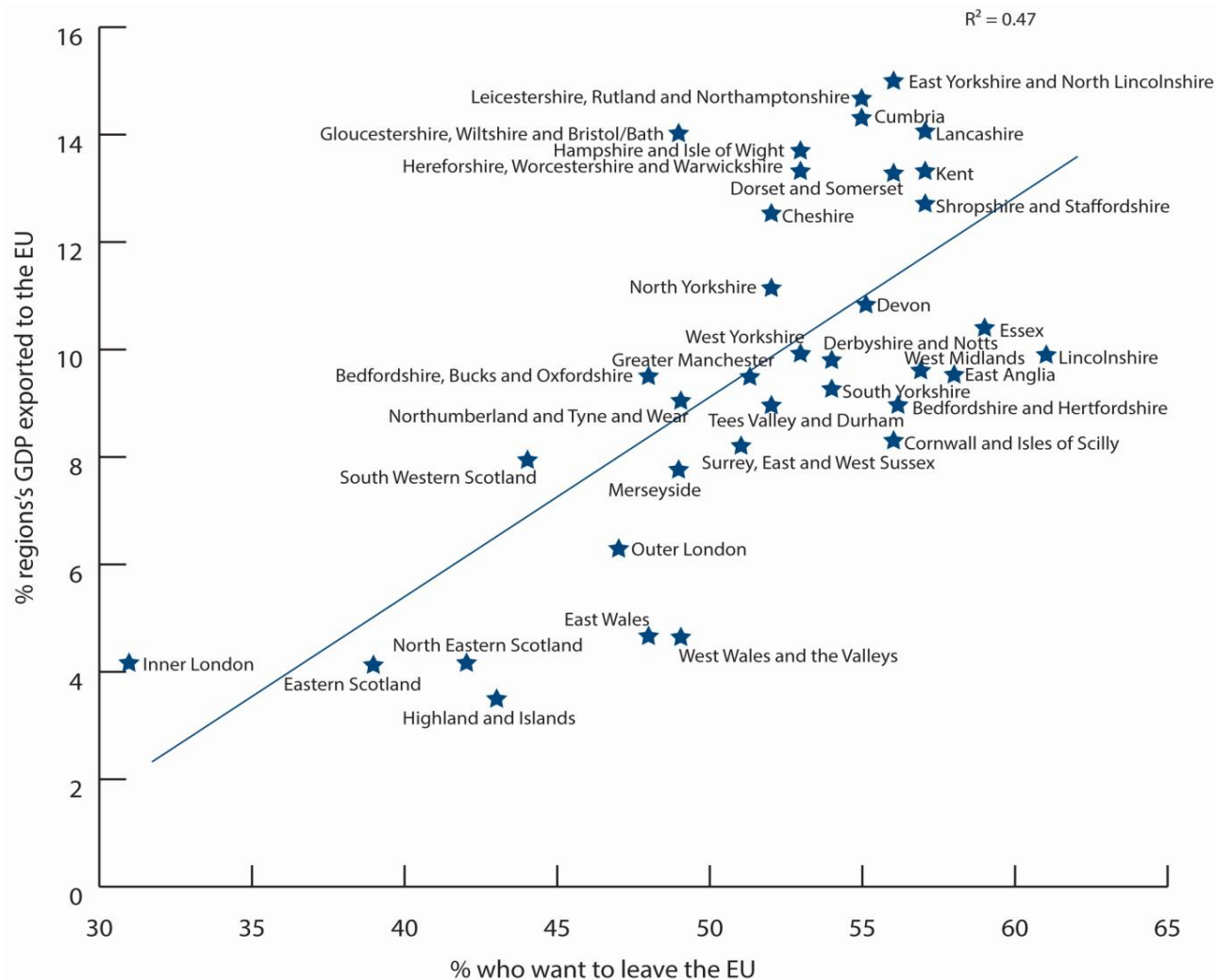
# THE BREXIT-DECISION AND THE REGIONS



Blue: Remain – Red: Leave  
Source: nytimes.com

# THE BREXIT-DECISION AND THE REGIONS

The relationship between the regions' export share towards the EU and their euroscepticism (Springford et al. 2016)



# THANK YOU FOR YOUR ATTENTION, ALL QUESTIONS AND COMMENTS ARE WELCOME!

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