



Reimagine economic development: Britain's next global city

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The UK contains both some of Europe's highest-performing economic areas, and some of its weakest – creating imbalances which skew and curtail growth. James Stewart argues that running a national competition could foster growth outside the South-East, creating a new set of thriving regional economies.

In London, the UK has one of the world's great success stories. But our economy has been skewed towards the capital and its hinterlands, undermining the country's performance and creating serious political and social tensions. Unless we can build highly competitive, globally-significant regional economies outside London and the South-East, weak productivity will continue to hold the country back. And realising this goal will demand radical action: to realise the prize of creating more world cities in the UK, we should consider *offering* a prize.

Britain has one of the most regionally imbalanced economies in the developed world. The EU's NUTS2 sub-regional data shows that Inner London's residents have the greatest purchasing power in Europe, earning 140% more than those in the second richest area: Luxembourg. But the same dataset also identifies the 10 poorest areas in North-West Europe – and nine of them lie in the UK¹.

Inner London is a special case. But working people across Greater London have disposable incomes 40% above the national average; whilst earnings are 14% below average in the West Midlands, and 20% below in the North-East². The average property price in London is £600,000; in the North-East, that figure is £130,000³.

The costs of geographical inequalities

These disparities in incomes and wealth have their roots in the UK's patchy productivity – which is 33% above the national average in London, and 7-15% below it in the North, West and Midlands⁴. And their consequence is HM Treasury's unhealthy dependence on London, the South-East and the East of England: only these regions make a net contribution to the public finances, with everywhere else receiving more public spending than they contribute in tax⁵.

In a self-fulfilling prophecy, London's status as the UK's economic engine pulls in more government investment – further boosting its attractiveness. Transport investment per London resident is nearly ten times that in Yorkshire and the North-East, and almost four times that in the devolution poster-boy of Greater Manchester⁶.

These disparities are obviously bad for those outside London – but the capital is also falling victim to its own success, with unaffordable housing and overstretched infrastructure holding back growth. If emerging industries such as artificial intelligence, green technologies and healthy ageing are also drawn in by its gravitational pull, all these tensions are set to grow.

And with such uncertainty over the UK's future relationship with the EU, we cannot continue to lean so heavily on London – whose financial and business services industries are footloose and closely tied to continental markets.

Spreading the load

Britain needs a more resilient and diversified economy. And in today's globalised markets, that means creating dynamic, highly-networked economic hubs outside the South-East with the scale and infrastructure to compete on the world stage. The UK's universities and businesses provide highly-skilled staff and foster cutting-edge industries. Now we need new areas to build the economic mass to attract and hold investment and expertise – enabling cross-fertilisation between businesses, and providing the career paths to retain talent.

Devolution to Edinburgh, Cardiff and Greater Manchester has given some areas an economic push; but such constitutional changes have their limits. Global economic hubs need modern, high-capacity transport systems and broadband connections; world-class education providers, closely linked to businesses; and a wide range of traditional and emerging industries, of sufficient scale and density to create virtuous circles of mutually-beneficial growth. Fostering these requires intelligent economic development strategies, strong and coherent management – and the money to kick-start change.

But how to identify our next global economic hub? How about a national competition, with a big financial prize to fund planned investments by the coalition of public authorities and industrial bodies putting forward the strongest proposals?

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City leaders

As with the selection of cities to host the Olympic Games, entrants would have to demonstrate that they have strong plans, capabilities and potential. In this case, they'd need to set out a convincing economic strategy and delivery model, and plans for truly transformative investments that would strengthen existing high-potential industries and knit the area together as a dynamic, coherent economic unit.

Winning this hefty prize – let's say £5bn – would demand strong research and business planning to map out the area's economic future, plus careful selection of suitable investments to drive growth.

The North might, for example, propose new road and rail links to tie together its great cities and strengthen international connections. The West Midlands could suggest building on its traditional strengths, with freight, training and research investments driving a push into cutting-edge engineering and high-technology manufacturing. The Scottish lowlands might ask for new transport and energy connections and land use changes, creating a global centre for green energy and tourism linking its two heartland cities to the Highlands.

The winner would be the area with the most convincing plan for creating a diverse, dense economic hub able to compete with London for investment and talent. But we should also take the opportunity to strengthen other parts of the UK whose potential in particular industrial sectors could be unlocked by a well-conceived, well-funded investment plan – spreading growth beyond the big winner, and further diversifying the UK's economy. So areas could also be invited to enter more narrowly sector-based bids for five awards of, say, £1bn each – with bidders for the main prize required to set out secondary plans for this runner-up trophy, and the competition extended to areas lacking the economic scale or range to scoop the top gong.

Then we might see, for example, the South-West installing high-speed broadband and fostering creative industries to create a virtual arts and media city. Or the Oxford-Cambridge corridor expanding its higher education institutions and improving their links into the business world, becoming the world's undisputed leader in science, research and innovation. Or the North-East creating a global centre for driverless vehicles, building on its strengths in car manufacturing, engineering and green energy technologies.

Some areas might choose to be even more imaginative. I was impressed by a recent presentation about Innopolis: a brand new city in the sparsely-populated republic of Tatarstan, which provides top class facilities and free education to university students. In return, these students work for at least a year for the tech businesses which cluster around the university. This 'start-up town' could provide inspiration for accelerating specialist skills outside cities in the UK.

Everyone's a winner

As well as the hard cash, the winner – and the sector-based runners-up – would benefit from global publicity; for no country has attempted such a radical and media-friendly approach to economic development. So businesspeople, civil servants and politicians around the world would learn something about all of the bidders' economic potential, and the winners' international profiles would receive a dramatic boost – drawing in traders, skilled professionals and investors.

To ensure a level playing field, entrants would receive funding to support the necessary research and business planning, and to map out decision-making structures to manage delivery by the consortium of public, private and voluntary sector players behind each bid. For the winners, investments on this scale should provide the boost necessary for their economies to compete on the global stage. But even those which don't win a prize wouldn't leave empty-handed: each would benefit from a fresh, research-based analysis of their economic strengths and potential. And the competition would catalyse conversations around the country, bringing people together to map out their area's economic future and raising their aspirations.

As long as the UK builds growth around the economic engine of London and the South-East, its regional disparities will continue to grow; and the capital's focus on finance, business services and property will leave us dangerously dependent on a narrow set of industries. Feeding London's golden goose has enriched a corner of the UK and maintained tax revenues, but this model is simply not sustainable.

There is enormous economic potential in many other areas of the UK; but as long as their cities and regions are starved of investment and lack strategic business planning, it will never be realised. The 'Northern Powerhouse' model recognised the importance of central coordination and economic mass – yet it lacked the funds to pursue its ambitions, and proved vulnerable to political changes in Westminster.

Now it's time to identify the UK's next global economic hub, along with those areas best placed to build their own world-class sectoral economies, and to put in place the key foundations of growth: coherent, strategic decision-making, with the ability to pursue an agreed plan over the long term; economic mass and density; and the investment to kick-start growth. It's time to aim for the big prize – in every sense.

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Contact

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