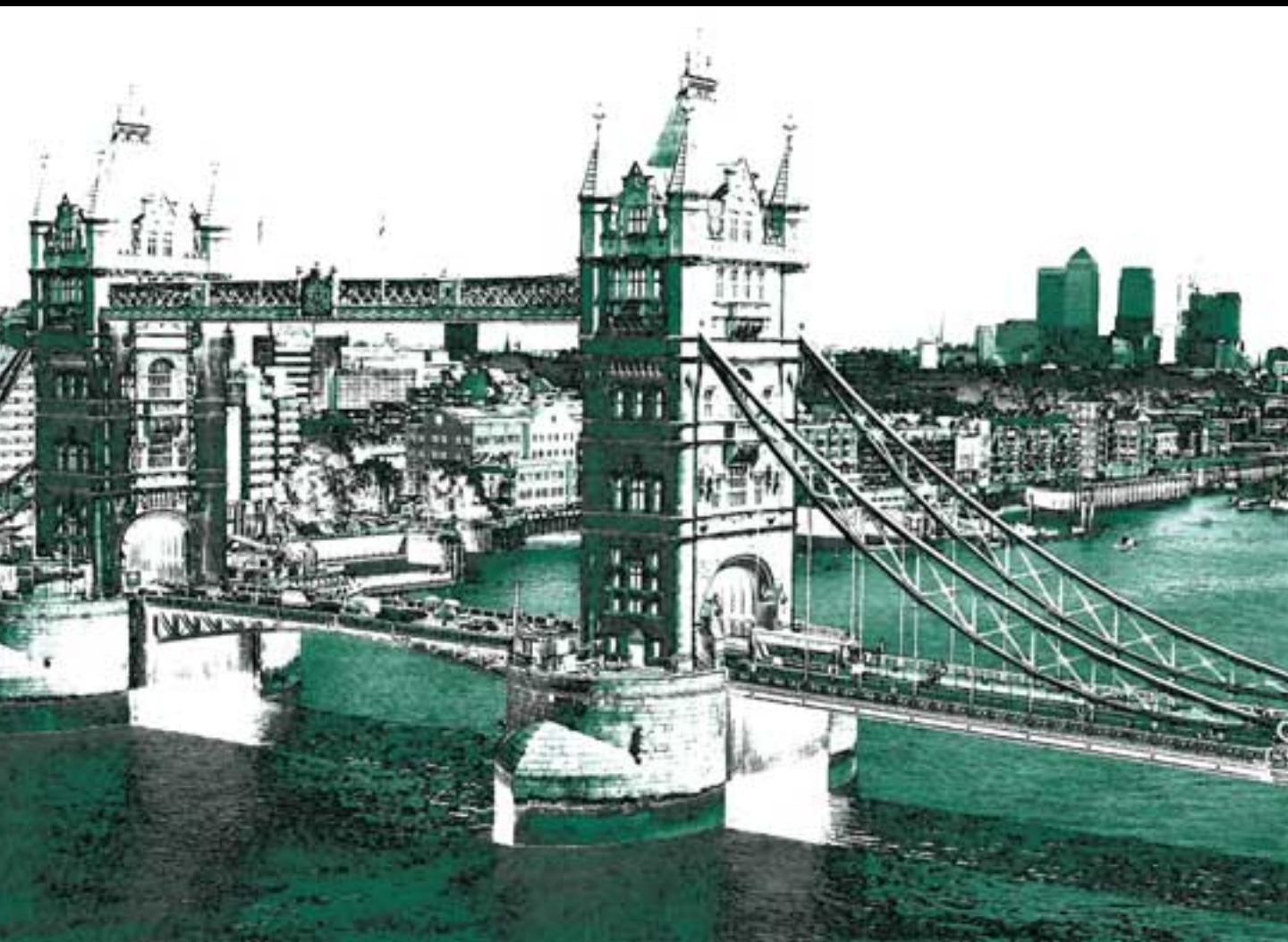


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Supplement**

# **LONDON'S Economic Strength**



**LONDON**  
DEVELOPMENT  
AGENCY

## **A Round Table Discussion**

# Round table participants

## ED BALLS

Ed Balls is chief economic adviser to the Treasury and one of the main architects of the government's regional economic development strategy. He is a member of the Treasury management board and chairman of the International Monetary Fund's deputies' committee.

## KEN BODFISH

Ken Bodfish is deputy chairman of the South-east of England Development Agency and Labour leader of Brighton and Hove Council, where he is also executive member for regeneration partnership. He chairs the UK delegation to the European Union's Committee of the Regions and the Local Government Association's European and International Executive.

## MICK CONNOLLY

Mick Connolly is regional secretary of the Southern and Eastern TUC. He is a member of the West London Learning and Skills Council and sits on the boards of the London Development Agency, Capital Quality Ltd and the East of England Inward Investment Agency.

## TOM FLEMING

Tom Fleming is development officer at the Cultural Industries Development Agency. The organisation supports the growth of culturally diverse and sustainable creative industries through tourism, information communications technology and education.

## WARREN HATTER

Warren Hatter is head of research at the New Local Government Network. This is an independent think-tank seeking to transform public services, revitalise local political leadership and empower local communities.

## MARK HEPWORTH

Mark Hepworth is director of the Local Futures Group, a research and strategy consultancy that provides a geographical perspective on economic and social change, with a focus on public policy and corporate strategies. He is also a visiting professor at Birkbeck College, University of London.

## NIGEL HUGILL

Nigel Hugill is managing director of Chelsfield plc, an urban

property development company working with, for example, London Underground and British Waterways. He is a member of the advisory group to the Bartlett School of Planning at University College London and a trustee of the Architecture Foundation.

## MICHAEL KEITH

Michael Keith is the head of the Centre for Urban and Community Research at Goldsmiths College, University of London. His research areas are urban policy, race and racism, and policing. He is a Labour councillor in the London borough of Tower Hamlets.

## PETER REID

Peter Reid is chief executive of the London Technology Network, a partnership between the London Business School and University College London, and head of the Centre for Scientific Enterprise. The network seeks to connect the business community with London's science and technology researchers and educators.

## ANNE SEEX

Anne Seex is chief executive of Norwich City Council, responsible for the city's services through the corporate management team, covering organisational development, spatial planning, housing and community services.

## DAVID WALKER (chair)

David Walker is a senior journalist with the *Guardian*, a regular presenter of BBC Radio 4's *Analysis* programme and a columnist on *Housing Today* magazine. He is a non-executive director of Places for People Group and a trustee of the National Centre for Social Research.

## JOHN WALKER

John Walker is chief executive of the British Urban Regeneration Association, an independent organisation representing the private, public and community sectors. He is an adviser to the Office of the Deputy Prime Minister.

## MICHAEL WARD

Michael Ward is the chief executive of the London Development Agency. He was previously at the Centre for Local Economic Strategies in Manchester.

Also in attendance: **Ros Dunn, HM Treasury**

# London's economic strength – a round table discussion

5 February 2003



**DAVID WALKER:** I got a hand-out the other day from Campaign for Yorkshire. It said the case for elected regional assemblies was based on Yorkshire's "prospect of addressing the serious and unacceptable disparity in economic prosperity where GDP per head is currently 48 per cent higher in London and 32 per cent higher in the South-east than in Yorkshire".

To me, that poses a big question. Isn't the precondition of any redistribution of resources within England the prosperity of taxable London and the South-east? As for economic growth in the regions, what if regional policy is a zero-sum game, in the sense that development, with government assistance, either happens in Yorkshire or the South-east, but won't happen simultaneously in both?

**MICHAEL WARD:** I do not think London or the wider South-east are contesting jobs. A lot of the new jobs here are in business and financial services and you cannot run a policy that says: "Chase Manhattan, you can go there" or "Goldman Sachs, go to Newcastle". We talk about clusters: financial services is the ultimate clustered industry and, around that, there are naturally a lot of legal and accountancy firms, for example.

**DAVID WALKER:** Ed Balls, what is the Blair government's regional policy?

**ED BALLS:** What we emphatically are not doing is saying the route to narrowing regional divides is to hold London and the South-east growth down in order to raise growth elsewhere.

If you go back to the 1920s, which is when people's view of the Treasury was first formed in political terms, that was a period in which these great regional divides opened wide. So the Treasury's backing of a devolved regional policy to close those divides is an important change.

We see it as about raising the overall prosperity of the country by increasing prosperity in those regions that have been less prosperous – rather than wanting to reduce growth in London and the South-east.

During the past five years, 1.5 million jobs have been created and they have been created across the country. There is no sense in having rising employment in the North-east if you have to have higher unemployment in the South-east. Other regions do not benefit by reducing productivity in London. The main driver of ►



regional disparities these days is not employment and people out of the labour market, but output per head (productivity). Some 60 per cent of the gaps in incomes across the country are differences in output per head. This can be put down to many factors, which we can discuss.

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**“The more dynamic London and the South-east are, the more you will have growth in other regions”**

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The more the economy is run in a stable way, the more prosperous and dynamic London and the South-east are likely to be and the more you will have growth and prosperity rising in other regions. That's part of the economic process and it's a good thing.

**DAVID WALKER:** Do you think the forces of globalisation are neutral in their impact on England's regions?

**ED BALLS:** They are positive for the regions outside London and the South-east. If globalisation means increasing technology and the ability for capital to be more mobile, it makes it easier for people to locate outside the traditional centres of growth and prosperity and to be linked into the wider economy. If you look at cities such as Leeds, Manchester and Newcastle today compared to 10 or 20 years ago, they are much more

integrated both with each other and with London and the South-east because of those changes.

**MICHAEL WARD:** It's helpful to draw a distinction between regional policy, which seems to me essentially an act of discrimination by government to say that certain problems in certain places deserve priority, and regional development, where there is a lot of common work across all the regional development agencies in promoting business and skills and addressing competitiveness within their own areas.

There is a long-standing tension between aspirations for a national regional strategy and resolving the housing and functioning problems of London and the South-east, which have been exacerbated by the kind of economy we have had since 1945—the increased importance of business services in the national economy, international rather than national companies and the concentration of those key activities in London and the South-east.

**ED BALLS:** Regional policy is about seeing where you need to invest more in skills or innovations, linking up with universities in order to generate new centres of growth and poles of prosperity. The reason why the resources are more biased towards the poorer regions is because that is where we have more to do.

**MICK CONNOLLY:** I am concerned that the debate is being driven by GDP, which when used as a crude measure makes London look great. But when you examine the capital on a sub-regional basis, you get huge disparities.

London is incapable of creating the jobs that are needed for Londoners. It now sits alongside the North-east in terms of percentages of unemployed, using the International Labour Organisation's measure of unemployment. We look at GDP and get defensive. You almost feel under siege from national government, so much so that you do not need to look at any of London's problems because London can take care of itself. When a major manufacturer closes down and shifts production across the channel to Belgium, France or Spain, they say you do not need to worry because London can take care of itself.

London has 300,000 people unemployed. And where are the jobs coming from? One of our east London MPs came along to speak to our regional council the other week and I was surprised when he told us that the biggest occupational job growth is hairdressers and cleaners. They're not the cutting edge of the new knowledge-based economy.

DAVID WALKER: Is that an argument for London receiving a larger share of available resources or, in Ed Balls's terms, London just having the same opportunities for growth as other regions?

MICK CONNOLLY: If we had some redistribution of the wealth that exists within London, then we would start to resolve some of those problems, but that is not the sort of agenda that people are involved in. We have the inner west area of London with 440 per cent of the average GDP, whereas outer north-east London is down at (EU) Objective I levels of about 70 per cent. Huge disparities.

MICHAEL KEITH: Growth alone will not erase poverty. If you look at the world's big cities, they generate new forms of poverty along with those new forms of growth. We need to acknowledge the reality of migration, of the order of 50,000 people a year into London. The globalisation of London is partly about the internationalisation of the communities of London. That creates all sorts of challenges as well as incredible opportunities.

MICHAEL WARD: For at least a century, the problem of London and the South-east has been the relationship between where people live and work and how they travel between them. It has preoccupied parliament since the 1885 Royal Commission on Housing and the development of workmen's trains. How did you have a labour force in the middle of London that could afford to compete for space of a decent quality to live in?

Sometimes housing or transport is subsidised and sometimes other solutions are tried. It is a recurrent London problem that is increasingly concerning people in the East and the South-east. One attempt to resolve this was the "new towns" movement, to create self-contained and balanced communities for work and living.

When I was working in Basildon, the vision was a community in which everybody could bicycle to work – and for a generation it worked. But gradually the new towns became London commuter towns. In Basildon, not building a railway station was the key to keeping it separate from London. Thirty years later, a railway station has been the key to its expansion as a major commuter town.

For most of the period since the Second World War, London planning was dominated by a falling population, both as an object of policy and a reflection of social reality. A turning point came in 1977, when the idea dawned that perhaps it had gone too far, though population trends themselves did not turn around till the mid-1980s. The figures now reflect quite substantial growth



**“Growth alone will not erase poverty. The world's big cities all generate new forms of poverty”**

in both population and jobs within London, which really does change the framework within which the debate takes place.

But all that is, I think, overlaid by the wider debate about the North and South. There are contradictory expectations of the regional development agencies. On the one hand, we are tasked with developing our indigenous economies. On the other, there is an expectation echoed in what David Walker was saying about the aspiration of the Campaign for Yorkshire, as if the creation of the institutions themselves would address regional disparities.

DAVID WALKER: In response to John Prescott's recent announcement on housing policy, some people are asking: "Why is he making this huge investment of public resources in London and South-east, when need is so palpable in the West Midlands, in the North-east." The two sets of needs cannot simultaneously be met. ►



**KEN BODFISH:** Clearly there are areas that need to grow more than others if they are to make up for regional disparities, but it is a problem to talk about transfer.

What we need to address is actual expenditure by government. London gets something like £5,000 per head of

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“London gets around £5,000 per head of government expenditure, the South-east £3,700”

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identifiable government expenditure compared to £3,700 per head in the South-east.

Ed Balls mentioned that congestion in the South-east has a push effect, benefiting regions which are behind. But if expenditure on infrastructure, particularly transport, is continually pushed down in the South-east, you get crazy congestion. Government must start spending on infrastructure in the South. Unless we do something about the Channel Tunnel rail link, the M25 and so on, the regions outside will not benefit.

**JOHN WALKER:** You have to look at the total infrastructure needs necessary to support the growth that each region is capable of. Not providing money for a decent infrastructure in London does not necessarily benefit other regions. The government's new communities plan is a very interesting opportunity to start getting things right. It's a challenge, not only to the way in which central government works, but to its new regional structures. Two of the designated growth areas, Thames Gateway and Milton Keynes/South Midlands, cross regional boundaries.

**DAVID WALKER:** Let's stay with money. Are we talking about a larger per head sum of public expenditure in London and the South-east than currently exists?

**KEN BODFISH:** You have to make up the disparities. Over the past 25 years, because of high land values, it has been easier to build motorways, for example, out of London and the South-east. But you will not be able to meet the overall objectives for the UK unless you meet the needs of the congested regions.

**JOHN WALKER:** But we need to be smart about this. South-east land values are very high. It's a question of finding out how we can possibly use some of the value that is created by development to help fund that development. It's not necessarily simply a matter of a bigger tax bill for the public – though there may be a need for that in places – but there is enormous value created by development. Development values are thousands of times higher than they used to be because of the presence of the infrastructure. Capturing that and using it is a key task.

**DAVID WALKER:** I'm tempted to ask Ed Balls to comment, as I know the Treasury has lately been giving some thought to offering local and regional government more financial leeway. If the local state could capture some of the development values from new building or regeneration in London and the South-east, couldn't the money be used for improvements to poorer areas within the region?

**ED BALLS:** At the time of the pre-Budget report last autumn, we announced we would like to move away from the rigidity of the uniform business rate. Under it, a local authority has no incentive to try and encourage more businesses (and therefore business-rate payers) to come into the locality. We are looking for a new model where there is still an element of redistribution, but

where there is an incentive, over and above the baseline, for local authorities to keep the extra to spend on local services.

More generally, we are looking at the betterment issues. It's not straightforward, because when you look into the detail of these things you can end up not raising a great deal of money. It's not clear that this always releases the scale of resources that people might think it does. But at the moment, with the Office of the Deputy Prime Minister, we are looking very hard into ways in which we can make it possible to capture some of that value.

**DAVID WALKER:** Are we clear that there is a scheme or template for the regional development agencies or other regional bodies to work with, one that specifies the positive things that regional government can do to promote growth and productivity?

**MICHAEL KEITH:** We need to be clear about what is happening within regions, about changes in urban hierarchy. What happens in Yorkshire may entail growth in Leeds that, in turn, might mean a different Barnsley. The notion of a "regional economy" is different in the case of Newcastle/Sunderland from what we are talking about in the context of London and the South-east. The travel-to-work area for London includes Milton Keynes, Kent, Brighton, Oxford and Cambridge. It's a little like Peter Ackroyd's point, when he asked: "Where does London end?"

**ANNE SEEX:** I would be interested to know if there has been a rigorous national examination of the extent to which the strategies of the respective regional develop-

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### "London's travel-to-work area includes Oxford, Brighton, Kent, Milton Keynes and Cambridge"

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ment agencies are going to be compatible and boost the national economy, rather than scrapping with each other.

Speaking as somebody living and working in the east of England, I'd say one possibility is to let go the area around the London periphery, and ignore the investment needs of the further outlying parts of the region, because that is clearly where the market will allow for growth. Firms located in London cannot get their staff to London, so they look to where their staff live,



which is on the outskirts, and they move their offices. So you hop backwards away from the centre of London all the time.

There is a need for an explicit view about urban hierarchies, as Michael Keith said, and the role of different types of settlement and different parts of the country in promoting the national economy.

**MARK HEPWORTH:** I am trying to draw attention to something quite simple. You need to take regional boundaries away and then try and understand what is going on before asking what regional structures can and cannot do. It is helpful to have a strong regional structure in this country, but it also needs to be national. When you look at the regions, they are fundamentally different in terms of urban structure. The size and prosperity of conurbations and cities reflect underlying economic changes and an underlying economic logic. You can't try and contain them within a regional envelope. ►

MICHAEL WARD: I think one of the strengths of what is happening regionally is that we are beginning to take a wider view than simple competition between localities. Some of this came out of the work that the European Commission and the French planning agency did about co-operation between citizen regions in France. Montpellier developed a wonderful strategy, an incentive for new forms of business, but decided that it should stop competing with its old enemy Nîmes and start promoting Montpellier and Nîmes jointly. That kind of co-operation is very important.

But how do we apply these emerging developments and concepts to the challenge of the South-east. The South-east has a magnet, London, that steers a lot of economic activity. Left to itself, will the market encourage development round the periphery, perhaps eating into areas that have been protected on environmental grounds? How can we create institutions that can resolve those tensions, so that people in Cambridge can say that it is in the wider interest that we have a certain level of growth?

DAVID WALKER: At some point, won't somebody have to compel Cambridgeshire County Council, the city of Cambridge and adjacent shire districts to accept growth, which for national reasons and for regional reasons must be allowed in the Ely, Cambridge, Saffron Walden corridor. Local democracy will have to end at the point at which the region or the nation says: there is a wider interest in your accommodating growth, even if it means construction on your green fields.

ED BALLS: I think the Deputy Prime Minister's frustration is not that we are having difficulty getting people to make the new decisions, but that the decisions that have been taken are not being implemented. If you look at the housing numbers, they are way below what local authorities signed up to delivering.

NIGEL HUGILL: Cambridge has been incredibly successful, almost too successful, and is having to deal with the problems of that clustering. Generally, what you have seen is a clustering of economic activity. Offices have become more centralised, going back into the central core where public transport connections are better. Cities are about ebbs and flows, and people movements, and that is the balance that you have to achieve.

MICHAEL WARD: Just to follow Nigel Hugill, the London ring new towns were conceived as an alternative to the city and have gradually become part of it, with similar problems. I remember two sentences that I wrote in a report when I was working in Basildon in the 1980s. The first was: "This town is policed, governed and taught by people who all came in from outside." The second was: "No child growing up in that community would ever meet anybody teaching or studying in higher education." Even in an organic mixed community in London that would not be true. Every school had their tale of the child who had done well and had gone through, but they would say sadly at the end of it that, for every



one, there were a dozen we could not persuade to stay on at 16 – and that is a human tragedy.

**JOHN WALKER:** Some of the failings, both in those early new towns and later ones, are great dangers for us in the next 10 or 20 years because they were, quite simply, institutional. The objectives of the health authorities, of higher education, were not aligned, at central government level, with the objectives behind creating those communities. So while the performance on attracting business and creating diversity in housing were successful, the attempts to bring in public services were unsuccessful and left enormous holes in social provision. It is not a trivial issue to try and co-ordinate at a local, regional or sub-regional level those various arms of government policy and spending.

**DAVID WALKER:** Is the distribution of powers between regional development agencies, embryonic regional elected assemblies and local authorities right, or are we saying that we need to radically redistribute powers and functions within the government apparatus?

**JOHN WALKER:** The regional development agencies have been an excellent innovation. They have broken down some negative parochialism. They have helped people focus on common issues. But we are still sadly lacking real local government initiative in this country. Leadership and what you give to an institution by way of powers or flexibility are closely connected. Ed Balls mentioned the thinking in government towards greater flexibility and use of the business rate. That would be great, but it is just one small example of what is needed in local government to improve local communities, economically and environmentally.

A simple example: any area in this country that grows is immediately financially penalised because the basis on which its rates are assessed is several years out of date and the growth is never taken into account until several years after it has happened.

**ED BALLS:** The big change that is happening with the regional development agencies and the “single pot” in regeneration funding is that rather than people being in competition with each other locally, for example, Wakefield with Leeds or Liverpool with Manchester, they are being forced to realise that if you can have a regional view of where we are trying to go, it can be in the interests of everyone.

The East Midlands has tended to be a fairly high-employment region. In terms of investment in adult and

workplace skills, it is way behind other regions. They are now focusing on redressing this, which would not have happened before they had gone through this process of working out the regional strategy.

It has clearly been to the benefit of Peterborough, Swindon, Basingstoke and Ashford, going round the broader South-east region, that as the London cluster – importantly, a financial services cluster – has grown, there has been a push towards economic development spreading out into the wider South-east region. We will see more of those pressures, leading to more linkage and development happening in Leeds, Manchester, Birmingham and Newcastle, and this will be to the benefit of the UK economy.

**WARREN HATTER:** We can talk about structures and institutions until the cows come home, but so much of this is about winning hearts and minds. We can look to the

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**“We can talk about structures till  
the cows come home, but so much  
is about winning hearts and minds”**

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North-east and say, here is a region where people are thinking regionally because, across different sectors, they think it is a good thing. But I do not see that willingness to think as a region elsewhere. Michael Ward will probably recognise that today most people in London would not have much awareness of the London Development Agency and what it does. People act in their own communities and don't think so much of London as a region.

**MICHAEL WARD:** Well, that question exists for all the regional development agencies. The interesting thing in London is that people do know there is a mayor and that he has something to do with these issues. There is an issue for us about the extent to which we have the same identity as the mayor.

Compared to the 1980s, there is a much greater focus on the statutory responsibilities of the job – planning and transport. There was an expectation that the mayor would be a focal figure for drawing together people on lots of issues not connected with the responsibilities. Actually, one of the things he says is that when you create this individual responsibility, you have to sit there and take the planning decisions. So it is interesting, and I think it will evolve over time.

**KEN BODFISH:** You look at many of the structures ►



that government has created – the New Deal for Communities is one, the regional development agencies outside London another and we have another recent example in the new regional housing bodies. Why a new regional housing body? Why not locate it within the structures that exist? Why not give it to the regional assemblies or the regional development agencies?

**MICK CONNOLLY:** We got the first fascist elected in east London as a result of riding roughshod over the wishes of people, and it has started to happen increasingly in the northern towns. The people are disenchanted.

We have been talking about offices. Fine, they can move their corporate headquarters to London and we can build our houses in order to accommodate them. But what about the people in Tower Hamlets, in Lambeth and Southwark who are not getting houses built for them and are living in slum conditions? We need to be a little more parochial.

**MICHAEL WARD:** We should not forget the other strand in government regeneration policies, that there is a lot of work being done at the neighbourhood level and another set of institutions evolving there which have their

own tensions and contradictions – and would produce another two hours of discussion.

**KEN BODFISH:** We should not deny the added value that has already been achieved by the London Development Agency and similar organisations. Twenty-five years ago, I was on a new town development corporation in central Lancashire, a very short-lived one, but the rows we had there were so parochial in terms of the way in which the corporation could relate central Lancashire to Manchester and to Liverpool. We have broken out of those straitjackets, and we are now beginning to understand that relationship between Nottingham and Liverpool and Leicester. Even in the South-east, we are beginning to understand the relationship between Brighton and Hove and Hastings, for example, and that is beginning to happen everywhere. There is a long, long way to go. What we have to find is mechanisms to develop those gains that we have already made.

**ED BALLS:** We are setting up regional housing bodies. If you are going to make planning decisions increasingly at a regional level and transport decisions at a national and regional level, you really need a housing strategy at a regional level. So that is another step forward.

A second issue is that you seek to match those powers with accountability, which is not only about making sure you have the right strategy, that you are spending money well rather than wasting it, but is also about building a

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**“It was riding roughshod over the wishes of people that got the first fascist elected in east London”**

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consensus about what needs to be done and how people can work together. A third issue is boundaries. This is a particular problem in London and the South-east. It does not make sense to have a regional housing body for London, one for the South-east and one for East Anglia which are all disconnected. This is not true in the New Deal because when you talk about employment policy in London, there are some really local problems and a localised employment policy is therefore a good thing. But when you are talking about housing, it does not make sense to have a regional dimension for London and the South-east. It has to be bigger.

Another issue is leadership. Even if you have the powers and the accountability mechanisms and you

can solve the sub-regional question, do you have people who can emerge through the structures and actually galvanise people about the way forward? I think we increasingly have the chance of doing that in the regions outside London and the South-east. In London and the South-east, it is still a major challenge, it is the unresolved problem. When you say: who ought to be leading the way on the role of the universities of London, or the Olympics, or education policy, in a sense we should look to the mayor. And you would think that the mayor would be the leader, but it has not happened yet.

**MICHAEL WARD:** But with the new regional housing structures for London and the South-east, there's an unanswered question about subsidiarity; what we do together and what we do separately.

## “You would think that the mayor would be leading the way in London, but it has not happened”

Across the Channel, the Ile de France regional council brings together the city of Paris and the *départements* surrounding it. About five years ago, I saw a draft of the Paris economic strategy. The first sentence was: “The objective of this strategy is that Paris should be the capital of Europe.” We do not have institutions capable of expressing and developing that aspiration. Just as well, some people might say. But whatever the equivalent is, we do not have organisations that can build a consensus around that.

The question that needs to be thought about is what we need to do within London and what we need to do more widely.

**NIGEL HUGILL:** I want to pick up this point about London and its place in the world economy. London has been extraordinarily efficient in the past 15 years at providing offices. You have had circumstances where rents and capital values are flat in absolute terms and substantially down in real terms. In 1985, people were leaving London because of the price of offices. Now offices are not regarded as economic on any basis, but people are leaving because of the problems of housing their staff and that is the critical cost which is now becoming a real barrier to progress in London.



**MICHAEL KEITH:** We need to recognise that supply in the office market was partly contingent on a massive investment in infrastructure and land assembly in the east of London in the 1980s.

**NIGEL HUGILL:** Absolutely, yes. The point at which there ceased to be office rental growth in London was the point when Canary Wharf opened for business. It is as simple as that.

**DAVID WALKER:** I want to focus on the relationship between administrative structures and economic forces. I suppose I am still confused as to what it is government can and should do at the regional level to change the economic destiny of areas.

**MARK HEPWORTH:** In Scotland, we have been looking at the knowledge base that the universities produce, and the needs of small firms in Scotland. There is a mismatch. There is no mechanism for small firms to tell the universities what they really need, because ▶

the knowledge base is largely dominated by big company funding and by the needs of the research assessment exercise.

We also looked at south London. Companies simply do not share a knowledge base and the Learning and Skills Council will not give them the intelligence they need to get in front of the market. So you have this sterile discussion about “joining up”, but at the end of the day you are not really having a discussion about what the market needs and what the individual company needs.

In the East Midlands, the really interesting thing is that the regional development agencies now talk separately to the big sub-regional strategic partnerships on skills, but there is a separate set of discussions that goes on across the region otherwise.

You need intelligence. You need to be able to close the gap between policy and delivering on the ground.

**MICK CONNOLLY:** I think that if development agencies are there to regenerate, then imposing a whole series of other regenerative bodies below them and increasing the power and size of government regional offices is not helpful.

But what's wanted is a clearer industrial strategy from the government, particularly about issues that we have not touched on, for example, manufacturing. Manufacturing remains an important part of our nation's and London and the South-east's economy. It is not just something that happens up North.

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**“It's an uneasy truth for a lot of people that the strength of London is absolutely necessary to them”**

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**DAVID WALKER:** Tom Fleming, what can and should regional government do to stimulate the creative industries? Do you operate with a model that says there are identifiable tasks for the regional development agencies or other government agencies?

**TOM FLEMING:** The cultural sector is also grappling with how to negotiate the different scales of intervention and identity. The cultural sector thrives through networks and clusters, but those clusters are very porous and they are dependent upon an exchange which is international as much as it is local. So there has to be an intervention that understands the nuances of a specific place. But if a

cultural cluster is supposed to grow, exchange and build supply chains, then, if you are based in Manchester, you need to be able to get to London to have a meeting and back in the same day with considerable ease. So there are those infrastructural issues as well.

There has been a tendency with the cultural sector to focus on a local level in terms of civic boosterism, for example, or on cultural identity and cultural difference, rather than on the connections between different places. There's a kind of contradictory argument going on between the strengths inherent locally and also relative to London. It's an uneasy truth for a lot of people working in a given region that the strength of London is absolutely necessary to them. London is an asset that can be worked with but, at the same time, it is important that you can get to, and connect with, London easily. You can try to retain a certain strength at a local level but a connection to the centre of content production, ie London, is absolutely necessary.

**MARK HEPWORTH:** When you go and look at any regional economic strategy, they basically all say the same thing: “Got to build the knowledge economy, got to have a skill-educated workforce”, it is tiresome . . .

**DAVID WALKER:** Tiresome because it does not work, in your view?

**MARK HEPWORTH:** It's the same music everywhere, the same Beatles song all over the country. It seems to me that the real issue is London. You cannot tackle London's problems in isolation from the rest of this country. If you talk to graduates from Nottingham University, they find temporary jobs locally, stick around for a little while, then go down to London because that's where careers start.

The problem is that the business drivers in Nottingham are fundamentally weak and do not absorb all the graduates coming out of the university, so the process is perpetuated.

**KEN BODFISH:** I do not think that is quite true. If you look at the staying-on rates at the universities in Brighton, or Manchester, they are managing to keep a highly skilled labour force around those universities, and if the universities are at the centre of the growth economy then they can have a positive effect.

**MARK HEPWORTH:** We have just finished a report for the Department of Trade and Industry showing that

the graduate labour pool expanded by 20 to 25 per cent in the late 1990s, so it is not surprising that there are more graduates around these places. There is nowhere else to go. The question is what type of graduates you are talking about.

**PETER REID:** The 1990s showed an increase in demand for managers, administrators and professionals, while jobs in other categories declined. That is what is driving the economic change in London now. In a third of its boroughs, the number of professional employees outweighs the number of non-professionals. Two of Britain's larger universities are in London, University College and Imperial College. With Oxford and Cambridge included, we have the greater South-east here. London is the largest centre of knowledge in Europe, measured by its research activities – 4,500 research scientists at world-class level.

**DAVID WALKER:** London's two great institutions, University College and Imperial College, had an interesting conversation last year about merger, but there was no organ of government which said anything that I ever heard about whether they should actually get together. Shouldn't the London Development Agency or the South-east Economic Development Agency have been part of that equation?

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**“The white paper stressed the role that higher education should be playing in regional economies”**

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**MICHAEL WARD:** Trying to understand the bizarre world of higher education is difficult – we have 41 separate higher education institutions in London. Some of them are within the federal University of London, some of them are not. Are we running this higher education system in London as a national resource, an international resource, or a regional resource? How much of it needs to be on the most expensive land in western Europe, around Bloomsbury? If you are interested in spin-off and little workshops, actually the Euston Road is quite an expensive place to try and build. There is no planning mechanism for doing that but the regional development agencies can begin to do it.



**PETER REID:** In London, we have a world-class cluster of innovation potential, and the challenge is to link that to industry so that innovation becomes commercial activity. That commercial activity creates employment across the community, not just for the professionals. The challenge the government faces is not to create or stimulate economic activity at this time, but to influence it.

**DAVID WALKER:** I cannot help observing, in passing, that the recent government statement on higher education was largely innocent of regional consciousness...

**ED BALLS:** Jumping at the opportunity to defend Charles Clarke on this aspect of his white paper: he stressed the role that higher education institutions should be playing in regional economies, that they should be trying to make much deeper links with the regional development agencies and seeing universities not as simply national or international players but part of ►

the regional local economy. I think that is what Charles Clarke is wanting, and we are very much wanting to make universities part of the regional economic story. More generally, I think the Department for Education and Skills is increasingly saying that you cannot run the skills policy from Whitehall, that you have to get a lot more decision-making out of the centre and into the local area skills councils.

**MICHAEL KEITH:** Can I pick up on the human capital question? I think there is quite a profound ethical question here, as well as a dangerous slippage, if we are not careful about separating out the economic from the social. My example is immigration in the 1950s – the postwar mass migrations to Britain that saved the public services of this country, particularly in London, and saved large chunks of all the manufacturing industry outside London.

**MICHAEL WARD:** And migrants prevented the country from facing up to internal labour mobility.

**MICHAEL KEITH:** Absolutely. But what we saw was that the benefits of mass migration were taken by some people and the costs, in terms of shortage of homes and shortage of education places, for example, were borne mostly by working-class communities.

If you look at the figures now for the changes that have taken place around Canary Wharf, there are some very strong, very impressive signs that job benefits are going to local people. But we have to acknowledge that this is 20 years on from when Canary Wharf began. The big ethical question that comes from this is: for how long can people in areas of growth be allowed to suffer a lack of local benefits before they start to see a payback?

I think the big test for John Prescott's communities plan, which I think incidentally is a fair test, is thinking carefully about the new schools and new hospitals, and the basic facilities that go alongside economic change. We can probably say that the jobs at Canary Wharf and benefits for local people, which are now picking up, are there partly because you have the fastest-improving local education authority in Britain in exactly the same site. It is also the case that if you actually allow people to buy into the change and see a benefit from the change, we know that there will be economic feedback from that which will be beneficial in the long term.

So I think the ethical point has to be whether or not people affected in these areas of growth in the South-east



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**“People want to see benefits from growth, rather than wait 20 years for the infrastructure to catch up”**

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pay a price, whether it is in terms of greenfield land, development on their backyard or other issues for concern, and whether they benefit in terms of possible opportunities for themselves. Will they amass the human capital that will produce trust, association and sustainable forms of social organisation?

**JOHN WALKER:** In both Thames Gateway and in regeneration areas in the North and the West Midlands, I would like to see a real attempt by government to produce joined-up and timely delivery of the infrastructure needed to support economic growth, and also to provide environmental and social benefits to the communities. Timeliness is particularly important so that people begin to see benefits from growth and change rather than have to wait 20 years for the infrastructure to catch up. And we should plough back




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**“We must win the argument  
that a functioning country  
needs a functioning capital city”**

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whatever we can of the added value created in those areas to fund those improvements in infrastructure.

**NIGEL HUGILL:** We should concentrate on the domestic end of things. The most regenerative investment does not come from a new office, or a new factory, it comes from a large number of people with earning capacity moving into an area, and the resulting infrastructure which supports that. You start from the bottom, rather than from the top. For example, on the Stratford railway land regeneration, the offices should come last and the housing and the schools and the shops should come first.

**MICHAEL WARD:** One of the regeneration projects I think is most impressive is Hulme in Manchester. It is the redevelopment of a whole area. I remember late one night

talking to people who had been very closely involved in the redevelopment, and them saying: “Yes, we did well, we got the mix right. We got the housing and we improved the environment. But if we had begun by creating a secondary school that people would queue and fight to get their children into, we could have solved some of those problems a great deal faster.”

I think that was a real lesson, but one which is not necessarily that easy to apply. Of course, the easiest way to reduce deprivation in an area is to replace the poor people with rich people, because that changes the statistics quicker than anything else. But that then raises questions about the purpose of this activity and why it is important to spend public money on doing it.

The essence here is about the remaking of London, or the remaking of the “big” extended London or the “big” South-east. And it is about how you balance interests, how you balance change against justice for the people who are already there, and how you link the social and the economic, and how you develop solutions that bring together human and social capital and do not simply let market processes or physical redevelopment run.

London local authorities used to have teams of architects, surveyors and property specialists who knew how to procure physical development. Across most of London, that capacity no longer exists. At the London Development Agency, we have a development team of about 30 people, but most borough councils do not have that. We need that function, but we also need to link it with human and social capacity to provide a new kind of development function.

A final point is this. London does have areas of extreme poverty and need. Although our colleagues in the North are sometimes sceptical about this, it is an argument that we can easily prove. A much harder argument to win, but one that we have to win, is about how a functioning country needs a functioning capital city. And that means one in which businesses can recruit the people they need and then house them, a city in which young people are coming through the schools with the skills that employers need. And a city in which, if an inward investor from North America lands at Heathrow, he can get to King’s Cross in order to get the train up to Yorkshire quickly – and in pleasant enough surroundings – so that he does not turn back without ever reaching one of the other regions.

We have to make this city work not only for the sake of its internal dynamics, but for the country as a whole.

