

# Manchester's Bust Regime?

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## Abstract

*This essay updates the once vibrant political economy literature on Manchester and argues that good governance, as well as good fortune, underpinned an uneven but strong urban-regional renaissance from the late 1980s through the economic boom period leading up to the financial crisis. After establishing the case for making this claim, it goes on to consider the extent to which Manchester and its broader city-region has proven resilient in the face of recession and is likely to be affected by the fall-out that will result from UK government attempts to manage the second phase of the crisis through swingeing public expenditure cuts and fundamental policy realignment. It concludes by anticipating whether a radically changed economic and political environment is likely to lead to the continuation, collapse or recalibration of Manchester's unique and emergent city-regional governance arrangements.*

## Business as usual?

Critical analysis of the political economy of Manchester, including key pieces in this journal (Peck and Tickell, 1995; Quilley, 2000), has tended towards resolute scepticism about the city's 'renaissance' even as it has increasingly been celebrated by national and international policy communities and lay commentators. In one sense, the doubters' judgements proved premature. Manchester and the broader city-region within which it sits experienced a remarkable economic turnaround in the 20 years leading up to the current crisis, at least by UK standards beyond the dominant 'London super-region'. Despite shedding 186,000 manufacturing jobs between 1981 and 2006 — more than half of the residual manufacturing base of the world's 'First Industrial City' (Hall, 1998) and its hinterland — the Manchester city-region experienced a net gain of 187,000 jobs in the same period (an 11.3% increase), with particularly strong growth in the central employment core of the conurbation in financial and business services, ICT sectors, creative and media industries, life sciences, and public provision of health and education services (MIER, 2009a).

Many of the arguments commonly made at the turn of the century, to the effect that the economic transformation of the Manchester city-region remained partial, geographically and socially (e.g. Peck and Ward, 2002), nonetheless remain valid. The 'Manchester miracle' indisputably helped produce a 'two-speed Manchester' in at least two senses. On the one hand, there is a contrast between the north and south of the city-region, based on differential experiences of economic restructuring. On the other, there are marked differences, based on variations in educational attainments and skills and access to labour and housing markets, between the life chances and experiences of residents in the city-region's more desirable inner and outer suburbs, who have benefited most from structural economic change, and those, disproportionately concentrated in the inner metropolitan area's poorer quality residential areas, who have gained least (MIER, 2009b).

If questions remain about how ‘complete’ and equitable the economic transformation of the Manchester city-region was during 15 years of unprecedented national economic growth, though, there has been a measure of agreement, between critics and city ‘boosters’ alike (*cf.* e.g. Peck and Ward, 2002 and King, 2006) that the city — and, increasingly, the wider city-region — has been characterized by the sort of ‘structured coherence’ that David Harvey (1989: 139–55) identified as being important to place-based economic innovation and growth. The recession and its after-effects present a stern test of Manchester’s carefully nurtured city-regional ‘regime’. One key question is whether the dramatic unwinding of a national economic boom that all major political parties now accept was narrowly based and unsustainable has destroyed the preconditions upon which city-regional renaissance, however partial and uneven, was built. A second, equally important, question is whether the fall-out that will result from UK government attempts to manage the financial crisis and secure the basis for a sustainable future economic upturn is likely to result in the continuation, collapse or recalibration of the particular forms of ‘structured coherence’ that were built up in and for Greater Manchester primarily during a long period of economic growth.

At the time of writing, there is too much uncertainty to provide definitive answers to these questions, but the remainder of this essay presents some provisional judgements on the basis of analysis of the recent past and educated guesses about the medium-term future. This is attempted in three further sections. The following section provides a summary of ‘the Manchester miracle’ which, we argue, is linked substantially to the evolution, coherence and influence of Manchester governance arrangements and styles. The subsequent section briefly examines the impact of the economic downturn thus far, and the challenges that are likely to emerge through the second phase of the crisis as the UK’s new coalition government attempts to address the structural deficit in public finances to which it has given rise. The latter part of the essay speculates, on the basis of what is known about the policy agenda of the new government, upon potential futures for uniquely Mancunian forms of city-regional governance.

## The Manchester miracle

At one level, Manchester’s pre-crisis renaissance can be seen as fortunate in three key respects. First, despite the city’s industrial decline over the course of the twentieth century — initially in a relative, but ultimately in an absolute, sense — it retained a concentration of key assets that underpinned its longstanding role as the most important service centre in the north of England (during its industrial heyday, Manchester was home to the Cotton Exchange as well as cotton mills). Particularly crucial to the pre-crash recovery were the city’s municipally owned international airport, the high level of connectivity it derives from its nodal status within key public and private transport infrastructure routes, and the dense concentration of both public and private services in the city. Second, these residual advantages grew in importance as the longest recorded period of consistent economic growth in UK history, along with the strong metropolitan locational preferences of key knowledge-based sectors (Rees and Harding, 2010), encouraged unprecedented private service sector expansion. Third, sustained national economic growth enabled much increased investment in public services, especially during the early years of the current century, which was especially favourable to cities like Manchester that serve key high-level regional public service functions in health, education and public administration.

These three factors were important in sustaining a level of wealth creation and employment growth in Manchester and the broader city-region that bore comparison, during the boom years, with that experienced in London and the southeast of the country. In the 25 years that preceded the onset of the current economic crisis, continued decline in manufacturing within the city-region, in which employment more than halved, was more than offset by growth in private, white-collar service employment, which doubled in size, significant expansion in public sector employment (up by a third) and job growth

of more than 20% in transport and communications, distribution, hotels and restaurants (MIER, 2009a). Manchester became increasingly attractive to inward investment — in the growing knowledge-based service sectors, in the retailing and leisure services that serve a growing cadre of affluent workers, in the office and residential property markets, as well as in a growing market for culture and tourism.

By 2008, the highest-grade office space in Manchester's urban core was the most expensive outside London, and office rents were growing faster than anywhere in the UK except London's Canary Wharf. New house-building in Manchester towards the end of the boom years was faster than in any other major English city, and 50% higher than the national level (Parkinson, 2009: 27). After decades of decline and stagnation, the core city's population began to grow once more from 2000, especially in a revitalized urban core, and was expected to continue rising, driven in the short term by strong national and international immigration, and in the longer term by the increased birth rates to which this younger migrant population was predicted to give rise.

Manchester's growing international reputation as a city that successfully overcame the legacy of its industrial past, as reflected in its rise within various city ranking exercises (see e.g. Cushman and Wakefield, 2008), was clearly built on real substance. The Manchester miracle, however was achieved with comparatively modest levels of productivity growth (MIER, 2009a). This was partly due to the city-region's sectoral composition, and partly to the fact that it lacks the highest level 'command and control' elements of the key sectors it contains. However, it also reflects the uneven way in which the benefits of the boom years were distributed within the city and the city-region, geographically and between different social and occupational groups.

On the one hand a stark, if relatively crude, distinction can be made between the southern and northern halves of the city-region (Rees and Harding, 2010). The south contains the commercial centre, higher level public service functions (including three major universities), the airport and the majority of high-status residential areas that have the strongest labour market connections with the job-rich conurbation core. It accounted for all the net employment growth in the city-region over the two and a half decades that preceded the crisis. The north, by contrast, primarily comprises a collection of formerly independent townships that have increasingly been bound into the conurbation physically, but on the whole are less well-connected economically and continue to struggle with the transition from a relatively low-value manufacturing economy to one dominated by higher value knowledge-based industries and the personal and consumer services that provide for their workforces. Here, decline in manufacturing was barely balanced by growth in lower status public and private services.

On the other hand, many Manchester residents derived only limited benefits from the economic boom that took shape around them. The rapid proliferation of new speculative city-centre apartments notwithstanding, the comparative unattractiveness of much of the city's public and private rented housing stock meant that many of the fruits of economic success were (and are) consumed in outlying suburban areas. By contrast, much of the northern and eastern part of Manchester, along with other inner areas of the conurbation and the poorer quality residential areas of peripheral townships, continued to be characterized by high levels of deprivation and a concentration of household characteristics — poor physical and mental health, worklessness, low aspirations and poor educational attainment — on which even 15 years of economic growth and urban renaissance had only a modest impact (MIER, 2009b). Both of these socio-economic fault lines, within the city-region and the city itself, have influenced degrees of resilience to recession.

A benign economic climate from the early 1990s onwards clearly provided a supportive context for Greater Manchester's uneven renaissance, both directly (in improving the prospects for private investment and business profitability) and indirectly (in enlarging the scope for public sector capital and revenue spending). It would be a mistake, however, to conclude that the pattern of pre-crisis economic development outlined above was entirely driven by generalized market factors. In fact, as

Manchester's strong economic performance relative to other provincial UK cities suggests, it owed much to more localized factors, and particularly the way in which the city was able to deploy limited municipal physical and human assets to good economic and coalition-building advantages.

A slow but steady revolution in the processes and orientations of urban and urban-regional governance, which began in advance of the last economic upturn, produced significant political and economic effects. The political and executive leadership of Manchester City Council — which has remained remarkably stable for 25 years — moved from a position in the mid-1980s of entrenched opposition to national government strategy that bordered on illegality and insurrection, to one whereby the city-region has developed a clearly articulated framework for the governance of economic development, transport, housing and planning (Rees and Harding, 2010) and an extended 'family' of Greater Manchester institutions to support its realization. This in turn helped position Manchester in the vanguard of an incipient movement towards devolved city-regional governance arrangements and vertically integrated activity on economic development and related issues between national and local government. Underlying this symbolic transformation was the city's consistent success in drawing discretionary public funding and private investment into a huge range of infrastructural, physical development and regeneration schemes which helped improve Manchester's 'offer' to consumers, visitors, workers, investors and users across a broad range of fronts including sports, leisure, cultural, commercial, entertainment and retail facilities, visitor attractions, public transport infrastructure, city-centre housing, neighbourhood renewal and the relocation of public services.

The construction of a 'Manchester regime' (for alternative interpretations, contrast Tickell and Peck, 1996 with Harding, 2000) which forged increasingly strong connections vertically to higher levels of government and governance, and horizontally across the local authorities of Greater Manchester and to other public service delivery organizations and city-regional business communities, can be seen as proceeding in four sequential and interrelated stages. The first three are familiar from established academic literatures and require little elaboration. During the first phase, from the mid-1970s to the late 1980s, Greater Manchester, along with the five other largest provincial urban areas in England, had a short-lived, directly elected, strategic metropolitan council (1974–86) for the only time in its history. When 'the mets' were abolished by the second Thatcher government, at the height of a central–local government relations crisis, a degree of continuing cooperation between Greater Manchester's ten constituent districts was established through various joint-service arrangements, loosely coordinated by an overarching body that was to be of growing significance, the Association of Greater Manchester Authorities (AGMA). In the short term, however, the effect of abolition was to fragment metropolitan decision-making and intensify conflict between national government and key Labour-controlled urban councils, including Manchester (Boddy and Fudge, 1984; Gyford, 1985).

In the second phase of development, from the late 1980s to the mid-1990s, institutional capacity at the metropolitan scale remained fragmented and relatively weak but the potential for increased collaboration grew, largely as a result of Manchester City Council's much-discussed 'entrepreneurial turn' (again, contrast Peck, 1995 and Cochrane *et al.*, 1996 with Harding *et al.*, 2004). As a result of a striking political *volte face*, the city leadership began to achieve increasing success in constructing a loose development coalition with national government and non-departmental public bodies, based on access to competitively allocated and discretionary public investment and joint activity, and with the private sector, based on risk sharing. Many of the development projects that were pursued in this period were entirely Manchester-focused but some — including the expansion and upgrading of the jointly owned airport, the completion of the city's orbital motorway and the development of the UK's first modern metropolitan tram system — involved collaboration with other local authorities across Greater Manchester.

As the inward flow of investment into the city-regional economy and its built environment began to grow with the economic upturn in the mid-1990s onwards, the growing attractiveness of the city to visitors and business provided the platform for a third phase of institutional development (Hebbert and Deas, 2000). Triggered by the dissolution of two Urban Development Corporations in Greater Manchester that had been designated at a time when central–local government relations were at a low ebb, two new metropolitan agencies were established: one (MIDAS) set up to attract and coordinate inward investment (initially covering the three authorities whose boundaries take in areas of the main metropolitan employment centre but later extended across all ten authority areas); the other (Marketing Manchester) created with support from all ten authorities, the airport and the private sector, to continue tourism and visitor promotion work originally linked to Manchester's unsuccessful bid to host the Olympic Games. A tentative government initiative to align nationally supported urban economic development and regeneration initiatives more effectively — 'City Pride' — also produced a joint-authority, albeit Manchester-focused, response (Williams, 1998).

In the most recent phase, from the turn of the century, the financial and executive strength of city-regional institutions grew to a level that was greater than in any other UK city except London, where metropolitan governance was recreated by selective national legislation in 1999. This phase witnessed a higher level of institutionalization and a more thoroughgoing attempt to develop an overarching strategy for the metropolitan area, in which a more sophisticated understanding of the growing significance of agglomeration to patterns of urban growth and regeneration was central. It ran in parallel with and was increasingly linked to a substantial, if tentative, reorientation of national policy towards spatial development and governance under the Labour governments of 1997–2010. Initially, the Blair administrations adopted a predominantly regional approach, by setting up non-elected Regional Development Agencies (RDAs) in the first instance, but this gave way over time to greater encouragement for the development of sub-regional and city-regional capacity in economic development and related fields.

Even when support for a new regionalism was at its height, it was recognized that RDAs, tasked with producing and coordinating the delivery of regional economic strategies, needed to work with groups of local authorities, organized on sub- and city-regional bases, across very diverse regional territories. This led, in Manchester's case, to the establishment of a further city-regional body, Manchester Enterprises, that became an agent for the delivery of the regional strategy in Greater Manchester and acted as the strategic development body for the metropolis. By the middle of the decade, Manchester was a leading member of the Core Cities group of local authorities covering the larger provincial cities which sought to develop a leadership role in subnational economic development and regeneration. This led in 2005–06 to new City Regional Development and Business plans.

Greater Manchester became progressively more assertive in its attempts to shape national policies. It lobbied intensively to create the conditions (favourable to Manchester) for a national policy that would facilitate institutional development at the city-regional scale and the further devolution of functions and powers. Manchester's political elite had close links with government ministers, and its proven ability to deliver large-scale projects increased its credibility and influence.

Once the government's 'new regionalism' began to run out of steam, following the decisive rejection of an option to create a weak form of elected regional government by the people of northeast England in a 2004 referendum, Manchester moved from responding reactively to national policy initiatives to anticipating and aiming to shape them. In 2007, the year in which government published its revised approach to subnational development, plans were developed to establish seven Greater Manchester-wide functional commissions (covering economic development, transport, housing and planning, environment, health, improvement and efficiency, and public protection) and a Business Leadership Council in advance of discussions with government about establishing a 'Multi Area Agreement' (MAA), the principal mechanism through which it was



anticipated that key subnational policies and funding would be aligned more effectively. By 2009, in a further step along the road to subnational capacity-building and policy integration, the government announced the establishment of two 'pilot city regions' one of which was Greater Manchester. The city-region's case for designation was strengthened by the results of a high-profile independent economic review (MIER, 2009c) that was commissioned to analyse the economic performance and prospects of the city-region, and whose policy recommendations influenced a further round of institutional reform designed to enhance delivery capacity through the seven joint-authority commissions.

At the heart of Manchester's most recent moves towards more robust and autonomous city-regional governance has been a process of internal capacity development, reform of governance and ongoing negotiation with central government. Taken together it became evident that changes needed to be made in the lead city-regional institution, AGMA, partly in response to continuing reluctance by government to devolve responsibilities to a city-regional-level body with only weak powers and authority. In 2008 a new constitution was agreed which allowed for delegation to the seven functional commissions, and established an executive board comprising the ten local authority political leaders as the primary accountable body for the city-region. This was not a new autonomous local authority, as the boroughs retained their sovereignty, but it was much more than the previous voluntary association.

In the last years of the Labour government, the picture continued to develop and change, with Greater Manchester seeking to obtain real devolution of powers to the city-regional level and, as the *quid pro quo*, continuing to enhance and make more robust its governance arrangements. Just before the election in 2010, Manchester agreed a series of priority actions with government which involved an enhanced role for the commissions, and further amended the AGMA constitution to enable majority voting on key strategic issues. Finally, there was a proposal to establish a 'combined authority' with control over transport, economic development and regeneration across the ten authorities, which was submitted shortly before the election.

## Manchester's experience of recession

By comparison to some of the areas highlighted in other contributions to this debate, Greater Manchester's experience of the financial crisis and its aftermath has thus far been relatively undramatic. The diversified nature of the city-regional economy has meant, for example, that there are no obvious parallels to the sorts of instability that have been transferred to dominant large-scale employers and foreign-owned property companies in Eastern Germany through the difficulties faced by offshore parent companies. Neither has the sudden collapse of the property investment bubble had the same impact as it has in parts of Spain. The rise in local unemployment, whilst severe, is also modest compared to the worst-affected areas of the UK. Indeed, the rise in the unemployed claimant count between mid-2007, which marked the end of the boom period, and mid-2010 shows that the City of Manchester (+157%) has suffered slightly less than the UK average (+166%). Greater Manchester as a whole (+182%), however, has fared substantially worse. This reflects the different ways in which the crisis has affected particular economic sectors.

The unwinding of the city's economic growth period began to become apparent in the second half of 2008. It started, as elsewhere, with the collapse of over-inflated property markets and a rapid decline in construction activity. Going into 2009, however, the second-round effects of the global credit squeeze and falling demand began to be felt, as vulnerable manufacturers and consumer services whose sales were particularly sensitive to consumer demand and confidence began to face problems. The scale and pace of the downturn caught many analysts by surprise. The property consultancy Knight Frank ([www.knightfrank.co.uk/commercial/research/romp/](http://www.knightfrank.co.uk/commercial/research/romp/)), for example, was reporting as late as the end of 2006 that offices rentals were continuing to rise rapidly and that demand was also at one of the highest levels nationally for

speculatively built industrial property, especially for distribution facilities. Even in 2008, agents were talking up the continuing success of Manchester's property market. However, the first signs of change quickly became evident. As another leading property agent (Lambert Smith Hampton — [www.lsh.co.uk](http://www.lsh.co.uk)) reported, demand for offices began to fall away in the final quarter of that year and overall were at lower levels than in 2007. They also suggested that few if any of the new schemes in the development pipeline would be started in the immediate future, deals were taking longer to conclude and that firms' expansion plans were being put on hold. Rents were now static and were expected to fall. Data from Knight Frank showed the start of this trend, with a reduction in prime rents of around 11% between the last quarter of 2008 and the first quarter of 2009 and flat for the rest of that year.

Retrenchment in the housing market was more dramatic. In 2008, house prices across Greater Manchester fell by 10%, and this fall was rapidly accelerating as prices fell by 8% in the last quarter alone. But the most rapid collapse was in the highly speculative apartment market, which included a significant proportion of properties that were built for letting and had been purchased by small-scale speculators (often high-income individuals working in Manchester's booming financial and business services economy). Here prices fell in the year by over 15% in the urban core and by up to 25–30% in some of the economically weaker northern parts of the conurbation. Again, much of this fall occurred in the second half of the year and especially in the last quarter. Moreover, there was a precipitate fall in sales volumes in the city-region as a whole during 2008. In this situation, mortgage foreclosures and forced sales soared, and the virtual cessation of lending by financial institutions and/or the imposition of very high deposits throttled such demand as still existed in the market.<sup>1</sup> Prices and sales continued to decline in 2009, and there was no sign of any turnaround in new building. Sales in the core city had by then fallen in excess of 75% from their peak in 2006–07.

Across the city, building sites fell silent as development activity slumped. Many smaller developers disappeared or went into insolvency, while others struggled to finish and sell projects that were too far advanced to curtail. Manchester's property boom had come to a standstill, with very little if any new activity expected for an indefinite future period. The commercial site where activity continued was at Salford Quays, where the BBC is relocating a significant proportion of its currently London-based production capacity in 2011, but elsewhere the picture was bleak. By the end of 2008, the wider consequences of all of this for the city's economy and its prospects were emerging. The local Chamber of Commerce, the largest in the UK with over 5,000 member companies, issued a downbeat survey of its members' view of the future for business in the city, reporting that manufacturing demand and business confidence in this sector had collapsed to the lowest levels since the survey began in 2003. Only a quarter of companies were working at full capacity, cash flow was worsening and staff reductions were beginning to accelerate.

This downturn was new. Up until this point, while indicators of employment and activity in the services sector were already declining, manufacturing had held up relatively well. Clearly the crisis was spreading out across the economy. The report also noted that the economic contraction was especially marked in the construction-related services sector, hardly surprising given what had happened to the property boom. By the end of 2009, there was some improvement in these indicators of business confidence from the record lows that they had reached the year before.<sup>2</sup>

At first, local politicians attempted to explain the local rise in unemployment which became evident during 2008 as the consequence of the continuing decline of the older

1 These data are derived from research produced by and for the Manchester Salford Housing Market Renewal Partnership (MSP), and draw on the personal experience of Michael Harloe as chair of MSP ([www.manchestersalford.hmr.co.uk](http://www.manchestersalford.hmr.co.uk)).

2 It should be noted however that this is a self-completing survey by businesses in the Chamber of Commerce, not a representative survey. It is also notable that the number of respondents fell sharply between 2008 and 2009 — a case of survival of the fittest and therefore the most optimistic?

manufacturing economy, while referring to the still (apparently) dynamic and growing knowledge-based services sectors. Thus, Graham Stringer MP, the leader of Manchester City Council when the city made its 'entrepreneurial' turn in the late 1980s, argued that 'the replacement of traditional industrial jobs in Wigan, Bolton and Rochdale [all in the north of the city-region] and the like has been less successful than it has been in Manchester. Replacing those jobs with jobs in finance, the media and the wider "knowledge economy" has been more sustainable. The economy is stronger in Manchester than elsewhere in the North West but we still have residual pockets of deprivation' (*Manchester Evening News*, 21 October 2008).

To some extent, Stringer's comments proved perceptive in that the annual rate of growth in unemployment up to mid-2009 was indeed lower (at 1.8% in Manchester) than it was in some of the northern boroughs (where increases of up to 2.5% were recorded). Equally, however, the rate of increase in unemployment was marginally lower amongst the more affluent suburban areas in the south of the city-region than they were in the city itself. What these figures appear to demonstrate is that, far from being a recession that would be limited to financial services and the sectors that derived greatest benefit from the 'bubble' economy, it hit the more marginal consumer-facing businesses and vulnerable low-skilled workers hardest. Hence, the southern area of the Manchester city-region that benefited most from the boom years is proving marginally more resilient than the north, but those areas in which people with relatively little labour-market power live, including significant parts of the core city, were also badly hit.

By mid-2010, unemployment was falling somewhat and job vacancies rising. According to the Commission for the New Economy, business prospects were 'tentatively promising'. But despite this, it was noted that 'a high degree of pessimism and uncertainly persists'; the housing market remained extremely depressed with very little new activity, and a similar picture prevailed in office construction.

What emerges from this brief consideration of the evolution of the crisis is that the impacts upon Greater Manchester appear to follow a more general pattern in the global evolution of the economic downturn, whereby a crisis that began in the financial sector and led to severe constraints on investment quickly turned into a crisis of demand, with inevitable effects on global trade in manufactures in particular. Translated into the Greater Manchester context, this meant that the net impact on the private sector was felt immediately within the construction sector but quickly spread to manufacturing and subsequently, in a less acute form, to a variety of consumer services. The principal casualties thus far, therefore, have been the more vulnerable manufacturing industries whose products serve consumer (rather than public sector) markets and the most vulnerable workers in insecure sectors (construction and consumer services). The effect has been to widen the gap that had grown, in the boom period, between the northern and southern parts of Greater Manchester on the one hand, and areas occupied by those with least power in the labour market on the other.

Underlying this modest recovery has, of course, been the continuing level of public expenditure and investment, and the fiscal, monetary and other policies through which the Labour government responded to the economic crisis. Even before it left office, Labour began to cut this expenditure in light of the budget deficit that arose partly from its decision to bail out UK banks and partly from the shortfall in revenue and the hike in welfare costs caused by the recession. Whichever party won the national election in May 2010 had no choice but to deal with the deficit further if the country were to retain its credit rating with the financial markets. Following the accession to power of a Conservative–Liberal Democrat coalition government, a programme to wipe out the structural deficit over five years, funded 80% by spending cuts and 20% by increased taxation, was announced. It was further confirmed, as part of an emergency budget, that the spending review due in October would contain details of spending reductions that would average 25% over four years for all but two 'protected' government departments: Health (the biggest spender) and International Development (a relatively minor one). The rise in public spending and public employment that helped fuel pre-crisis growth is



therefore set to go into reverse as a result of the severest austerity programme seen since the end of the second world war.

## A bust regime or a regime for the bust?

There is no doubt that a combination of the continued effects of the financial crisis on liquidity and the capacity of firms and households to borrow, plus an impending round of public sector redundancies, will remove two of the key driving forces of the pre-crisis Manchester renaissance. It is also likely to induce pressure for the rationalization of the disparate institutional infrastructure that has been developed at the Greater Manchester scale. Overall, the short- to medium-term fallout from the economic crisis seems likely to threaten many of the preconditions upon which Manchester's diligently crafted brand of inter-governmental, inter-organizational and public-private entrepreneurialism and property-led economic development and regeneration was built during the boom years. There will be no swift return to the cheap credit that underpinned high levels of speculative development and property-based personal wealth acquisition. Discretionary funding from central government to support the modernization of the urban asset base will be in short supply. The effects of sluggish growth and looming public expenditure cuts are likely to thin out the high-level labour market that helped fuel the city's consumption boom. And there must be a significant danger, in an era of tightly constrained public spending, that the pattern of worklessness that was generated by the UK's 1980s recession (with far-reaching social implications) will recur several decades on. These changes, already evident before the election of a new government in May 2010, have acute and potentially destabilizing implications for Manchester and for the sort of approaches that are adopted to the development of the city and city-region in radically changed circumstances.

The Manchester growth regime described in this essay was essentially grounded in the same ideology adopted by the Labour government from 1997 and lay at the heart of its urban policies — the belief that there was a virtuous circle connecting economic success and social inclusion. As one of us subsequently noted, these connections were at best not proven (Harloe, 2001). More recently, the Manchester Independent Economic Review (MIER, 2009b) highlighted the failure of these policies to link economic growth and social inclusion in a virtuous interaction in the way that local and national political leaders envisaged. Using official small-area data which measures social deprivation, the review showed that while most areas experienced an absolute improvement in conditions over time, the improvement was least marked in the most deprived areas. Work by the Centre for Cities (2009) similarly shows that of the 56 English cities reviewed, Manchester is the most unequal in terms of the gap between its least and most deprived areas.

As we have seen, part of the reason for this polarization is the uneven spatial distribution of housing classes across the city-region. The fact remains, though, that if polarization grew during a sustained period of economic growth when public spending was also growing, the gap in life chances can hardly be expected to shrink during a period in which national economic growth is likely to be low (even assuming it is positive) and public spending (should the coalition government targets be achieved) in steep decline. As noted in the last section, the other key 'fault line' in the pre-crisis economic success story, between the north and south of the city-region, has widened as a result of the downturn.

There appears to be every chance that these two challenges to the cohesion of the city-region will intensify as a result of planned policy change. On the one hand, the coalition government's intention to introduce greater stringency in welfare entitlements, to reduce the inflators applied to welfare benefits, to cap housing welfare payments, to rationalize programmes that aim to equip people with the confidence and skills to enter the labour market, and to encourage the voluntary delivery of these and other non-statutory services are likely to depress the living standards of the poorest households still further. On the other hand, pursuit of the coalition's 'localism' agenda, and especially the intentions (1) to allow local authorities to retain at least some of the benefit of new commercial and residential development, (2) to abolish any form of strategic,

cross-district strategic planning, and (3), paradoxically, to promise to freeze the money that authorities can raise from local property taxes at current levels for 1–2 years, are likely to lead to any new development being concentrated in those areas that are most attractive and least problematic to the market.

In this context, it will be difficult to sustain the vision implicit within the development of city-regional governing arrangements — that better integration and closer collaboration would help reduce internal city-regional disparities over the long term. In other ways, though, the coalition government's policy agenda is clearly supportive of inter-local authority collaboration and autonomy. The government's decision to abolish the regional agencies that were established or strengthened by its predecessor and to encourage the formation of new Local Enterprise Partnerships for 'natural economic areas' is, or could easily be made, consistent with the combined authority proposal that AGMA has already agreed to. Similarly, the suggestion that key infrastructure projects will in future be designated on the basis of the development potential they can release is consistent with the arguments that the AGMA authorities have made, for example with respect to public transport improvements.

The challenge for Manchester is therefore to refashion its development regime, and the vertical and horizontal elite linkages that sustained it, for the hard times to come. In one sense, Manchester retains distinct advantages in facing this challenge. The sheer scale of its achievements during the boom years mean that the city has increasingly been seen as a natural ally by national governments of different political colours in the delivery of mutually beneficial strands of their policy agenda. If the change of government does result, in practice, not in a return to fragmented localism but to a further commitment to decentralization and the development of cross-local authority capacity, Manchester is better placed than any other provincial city-region to adjust to change in the politico-administrative environment.

Whether it is similarly well-placed to manage the future development of the city and city-region in ways that are socially, environmentally and politically sustainable in an era of low growth and low investment, however, is a very different question. The portents here are less promising, but there may be specific opportunities that are less related to issues of economic balance and social cohesion, and more to 'showstopping' issues such as climate change mitigation, public service reform and the co-production of services with voluntary and private sector partners. Further progress on such issues will require fresh thinking and engagement with a range of stakeholders that have not previously been central to the Manchester development coalition. If the evidence of the 1980s recession provides a guide, however, failure to build a place-shaping regime for the bust will result in the sort of fragmentation and dissensus that will ultimately serve no-one's interests.

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## Résumé

Réactualisant les textes d'économie politique autrefois enflammés qui traitaient du cas de Manchester, cet article affirme qu'une bonne gouvernance, alliée à un peu de chance, a pu étayer une renaissance, inégale mais solide, de cette région métropolitaine à partir de la fin des années 1980 et tout au long de la période d'essor économique qui a précédé la crise financière. Après avoir présenté les arguments à l'appui de cette affirmation, il s'intéresse à la mesure dans laquelle Manchester et sa région métropolitaine ont su résister à la récession, mais risquent d'être affectées par les répercussions des tentatives du gouvernement britannique cherchant à gérer la deuxième phase de la crise au moyen de coupes sombres dans les dépenses publiques et d'un réalignement fondamental de l'action publique. La conclusion étudie si, dans un contexte économique et politique totalement différent, les dispositifs uniques de gouvernance de Manchester qui s'installaient à l'échelon de la région métropolitaine sont susceptibles de perdurer, de se disloquer ou de se reconfigurer.