

LSE Works: Spatial Economics Research Centre



The economic future of British cities: what should urban policy do?

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The Economic Future of British Cities: What should Urban Policy Do?

Prof. Henry Overman
(LSE & SERC)

‘Resurgent’ cities

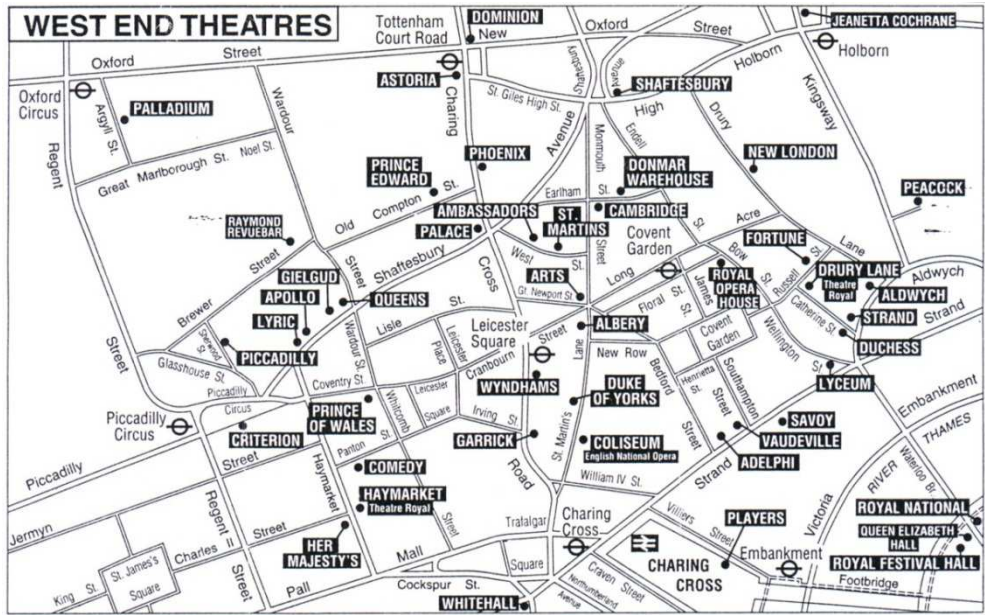
		Annual growth (%)	
Place	Region	1991-1997	2001-2005
Great Britain		0.24	0.46
London	London	0.44	0.44
Birmingham	W. Midlands	-0.20	0.26
Stoke	W. Midlands	-0.05	0.04
Manchester	North West	-0.25	0.32
Liverpool	North West	-0.51	-0.13
Birkenhead	North West	-0.54	-0.16
Newcastle	North East	-0.16	0.08
Sunderland	North East	-0.28	-0.32

Cities as places of production

Industry Group	Agglomeration
Average <i>all</i> manufacturing	0.077
Publishing, printing, repro of media	0.105
Advertising	0.137
Average <i>all</i> services	0.197
Motion picture, video and TV	0.222
Hotels and restaurants	0.224
Finance and insurance	0.251
Public services	0.292
Business and man. consultancy	0.298
Transport services	0.325
Manufacture radio, TV and comms	0.382

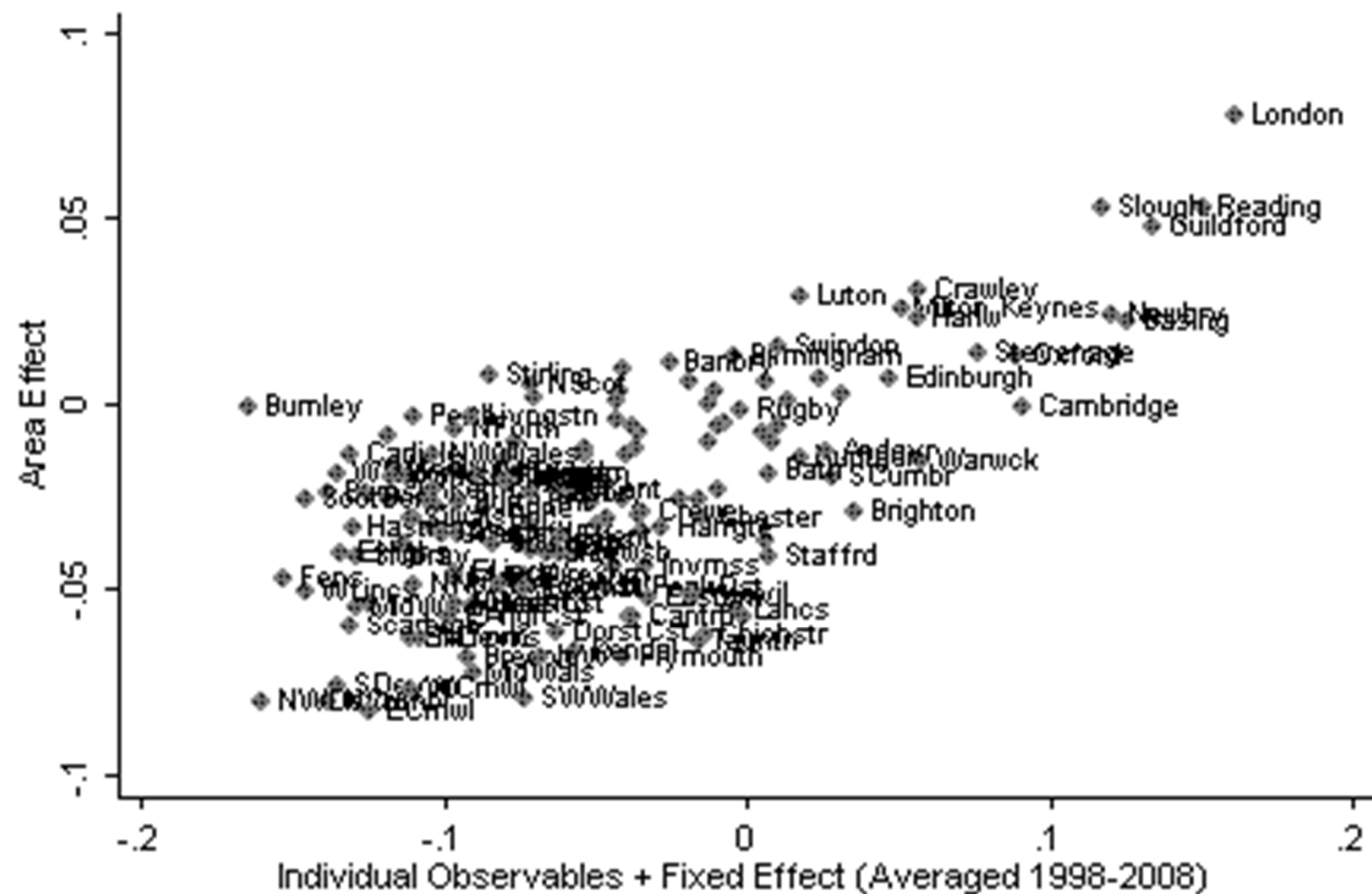
City	Working age pop %NVQ4+ (2010)
Oxford	53.7
Cambridge	50.7
Edinburgh	47.4
Brighton	44.1
Aberdeen	43.5
London	40.9
York	39.9
Cardiff	39.8
Reading	39.6
Dundee	36.5

Cities as places of consumption



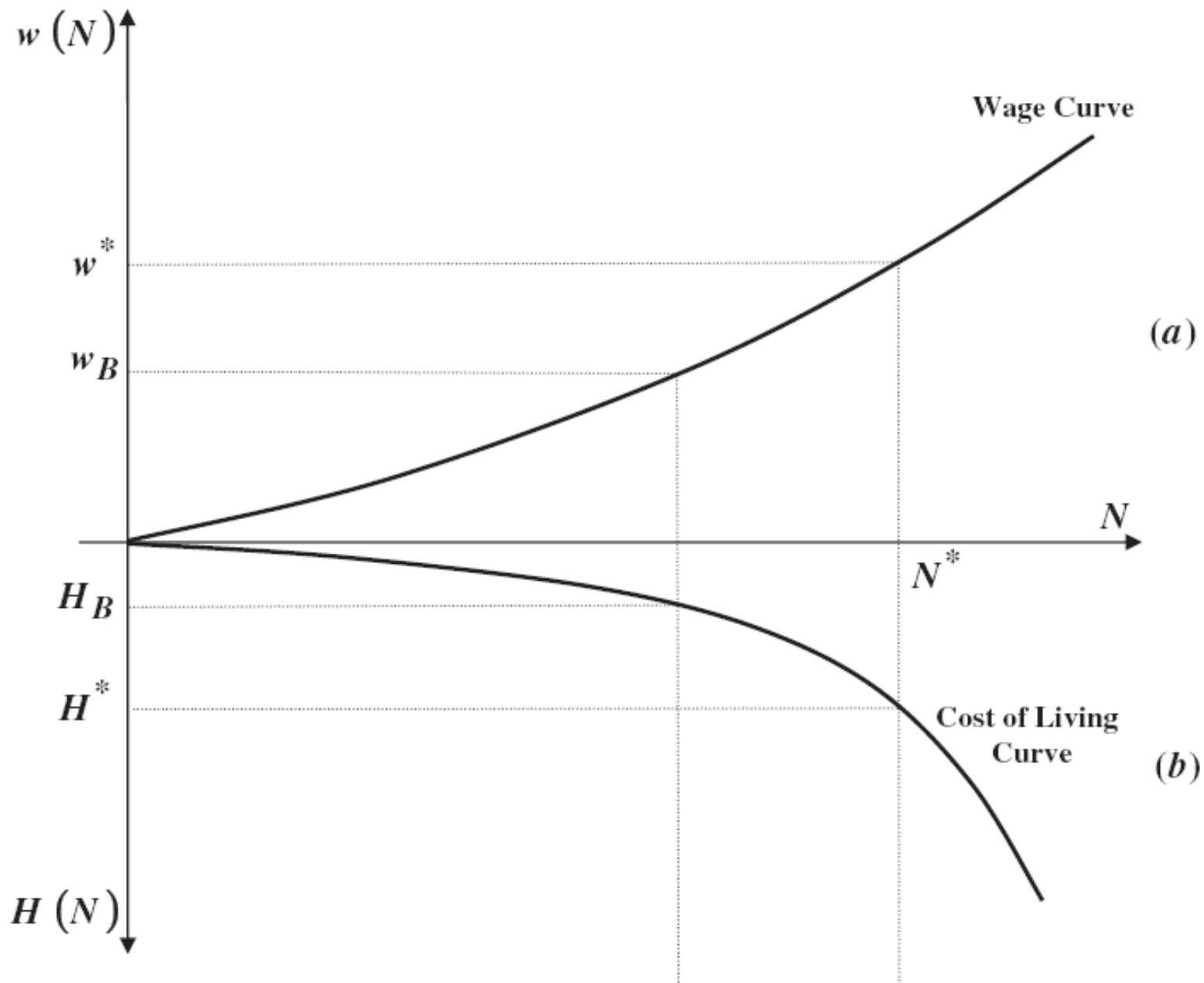


Understanding urban economic performance



People versus place

	Max/Min	p90/p10	p75/p25
Raw	67%	26%	11%
Full controls	16%	7%	4%

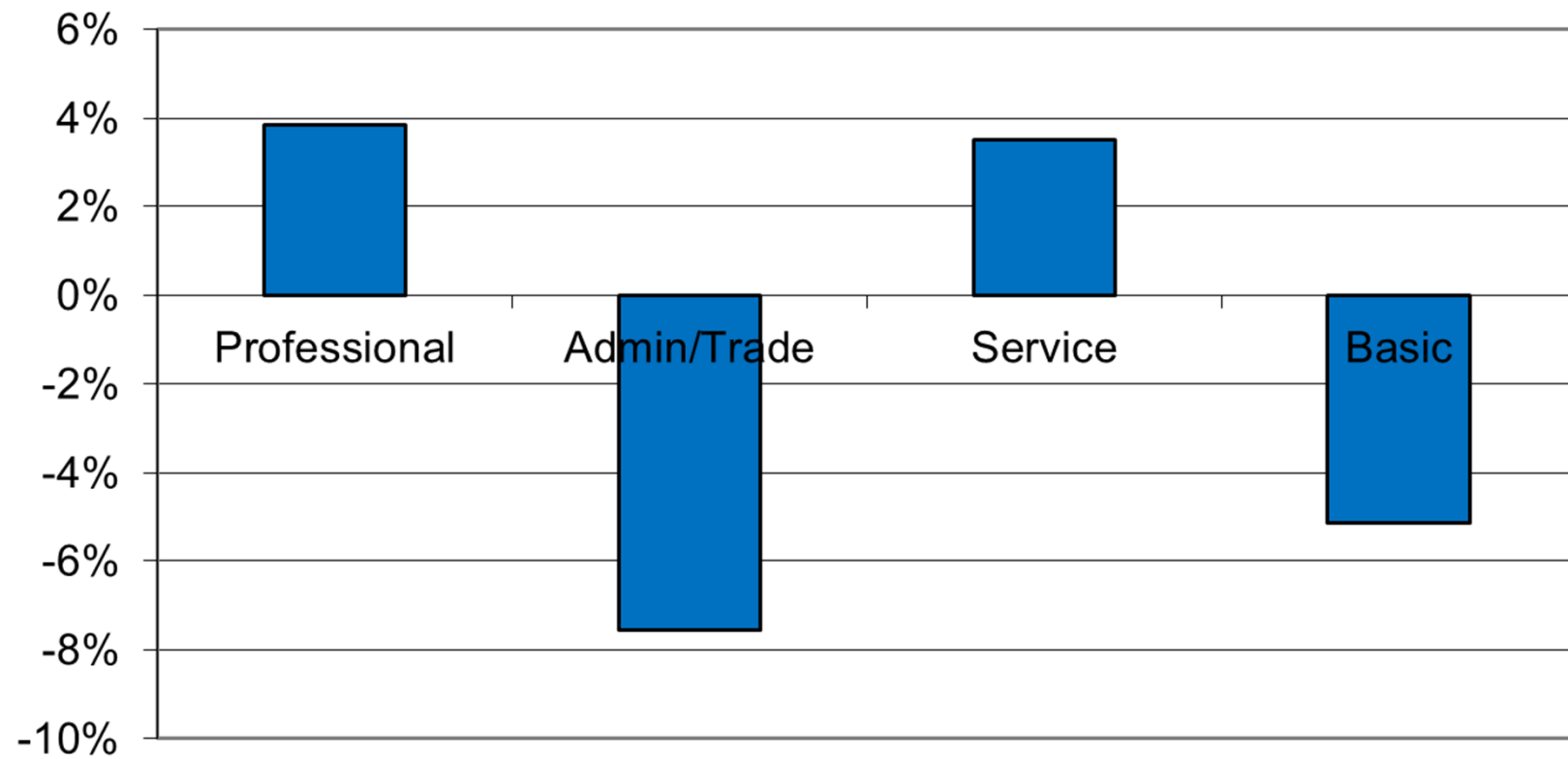




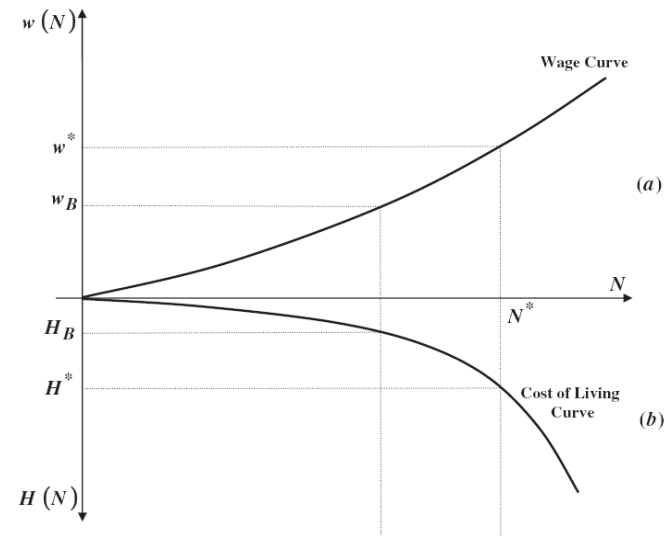
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Resilience

UK (% change employment 2007-2010)



The economic future



Industry Group

Agglomeration

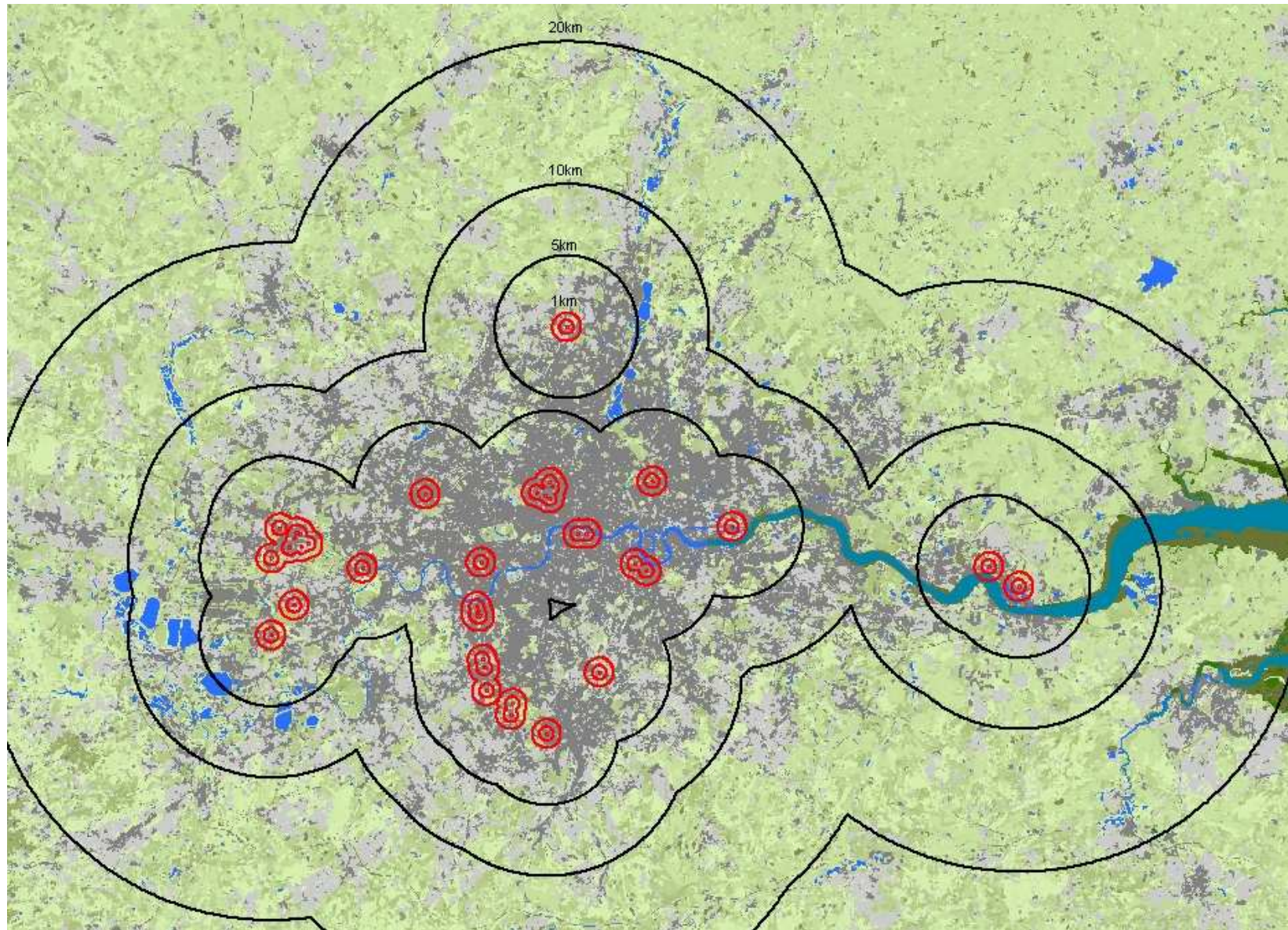
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What can urban policy do?

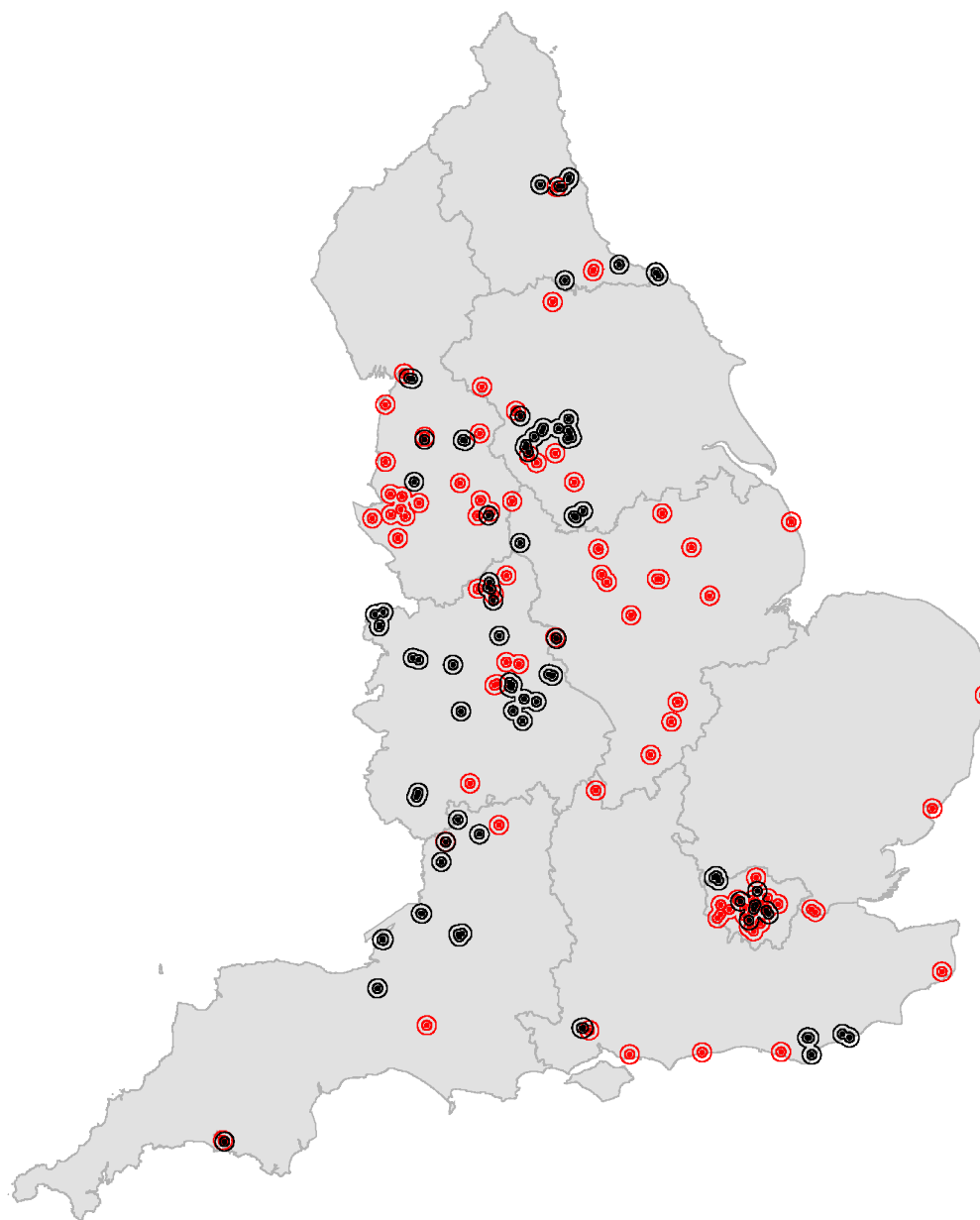
Policy and area effects

SRB

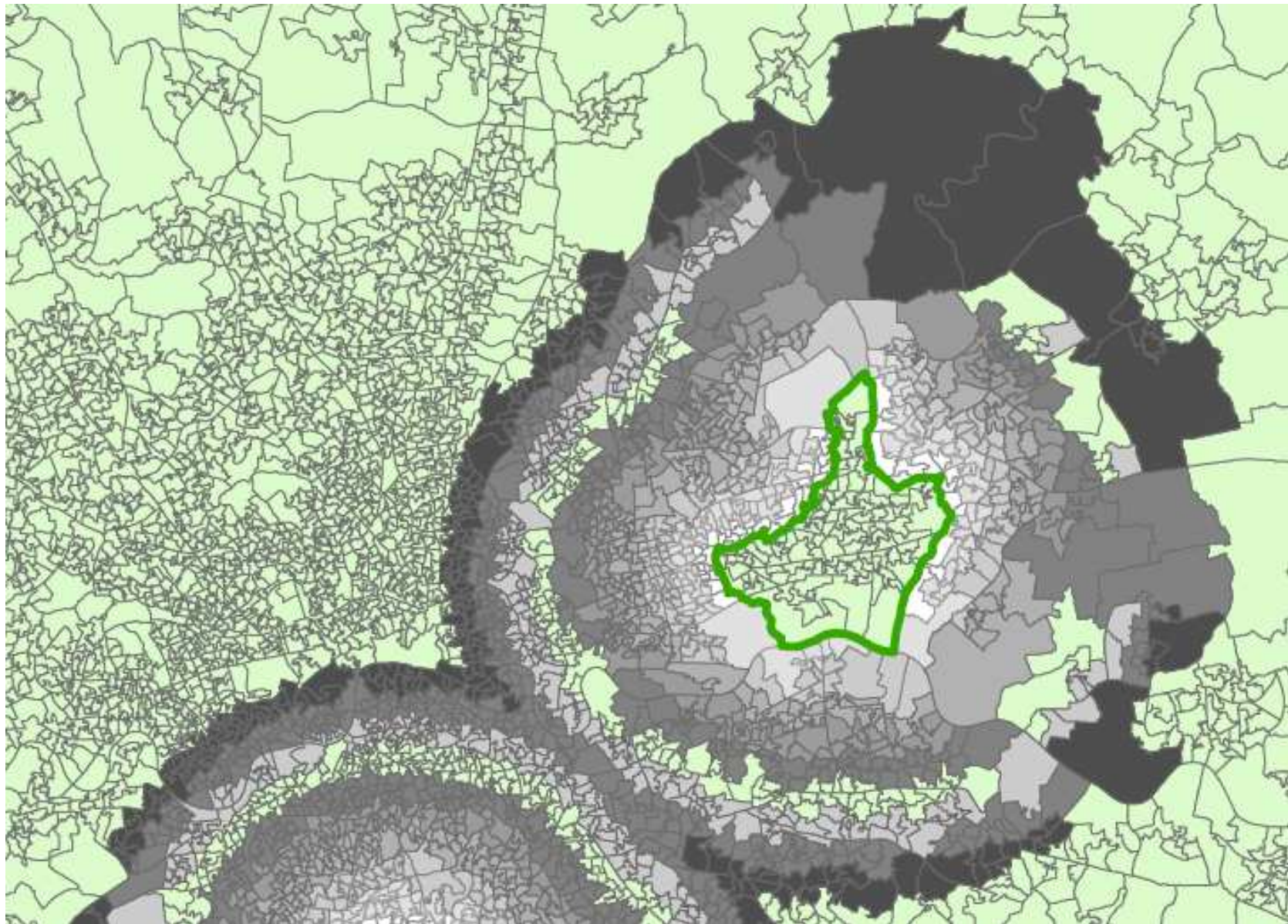
Treatment areas: London



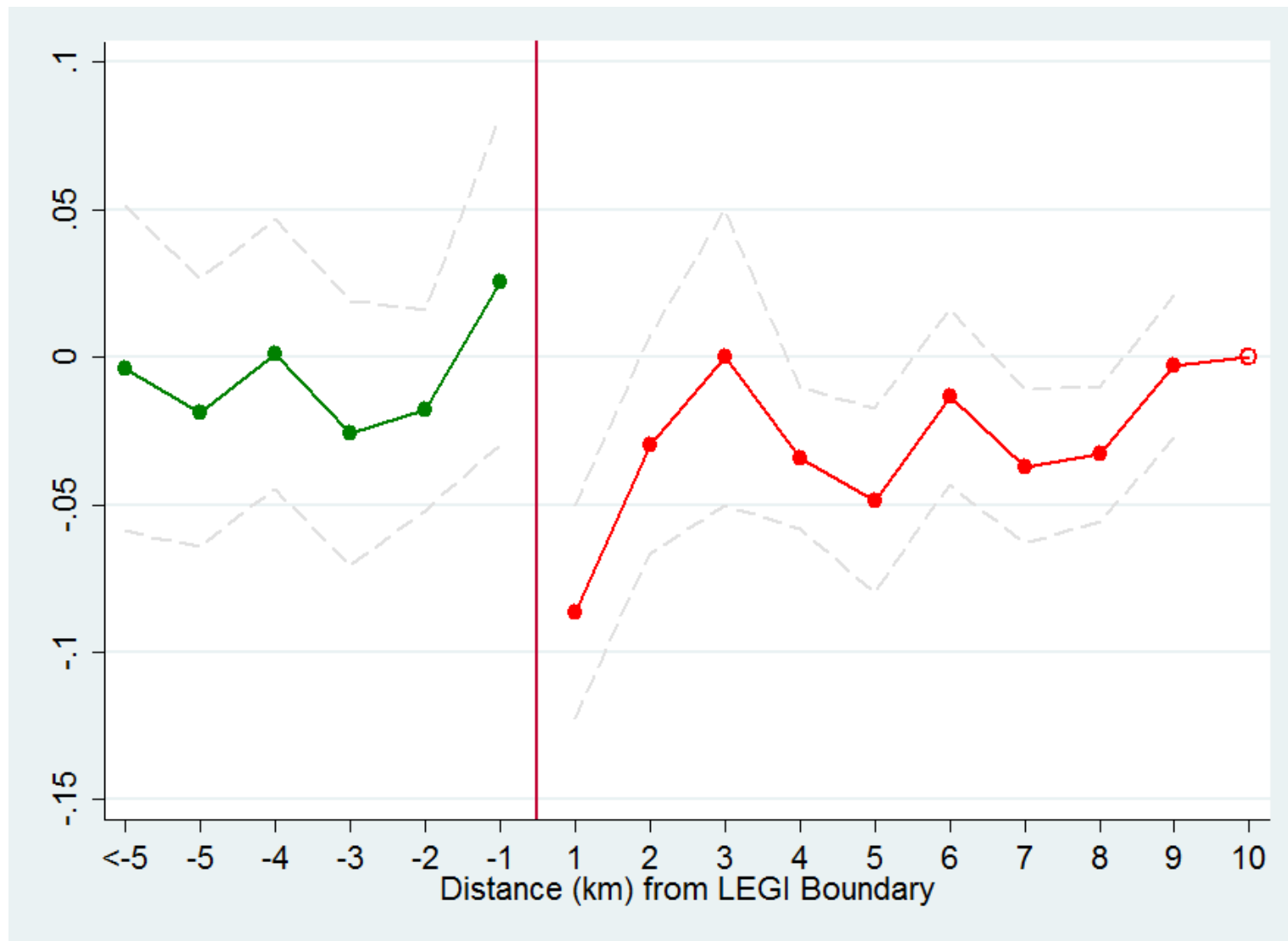
**Round 1–3
(5–6)
projects**



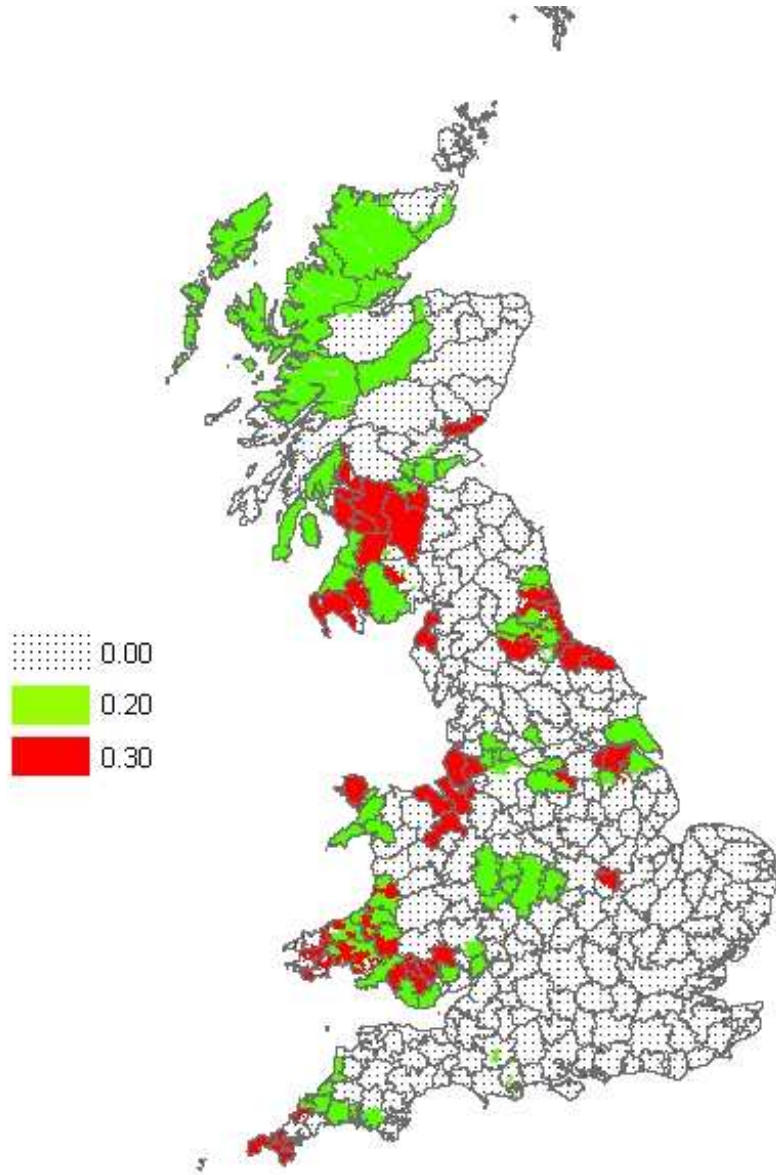
LEGI



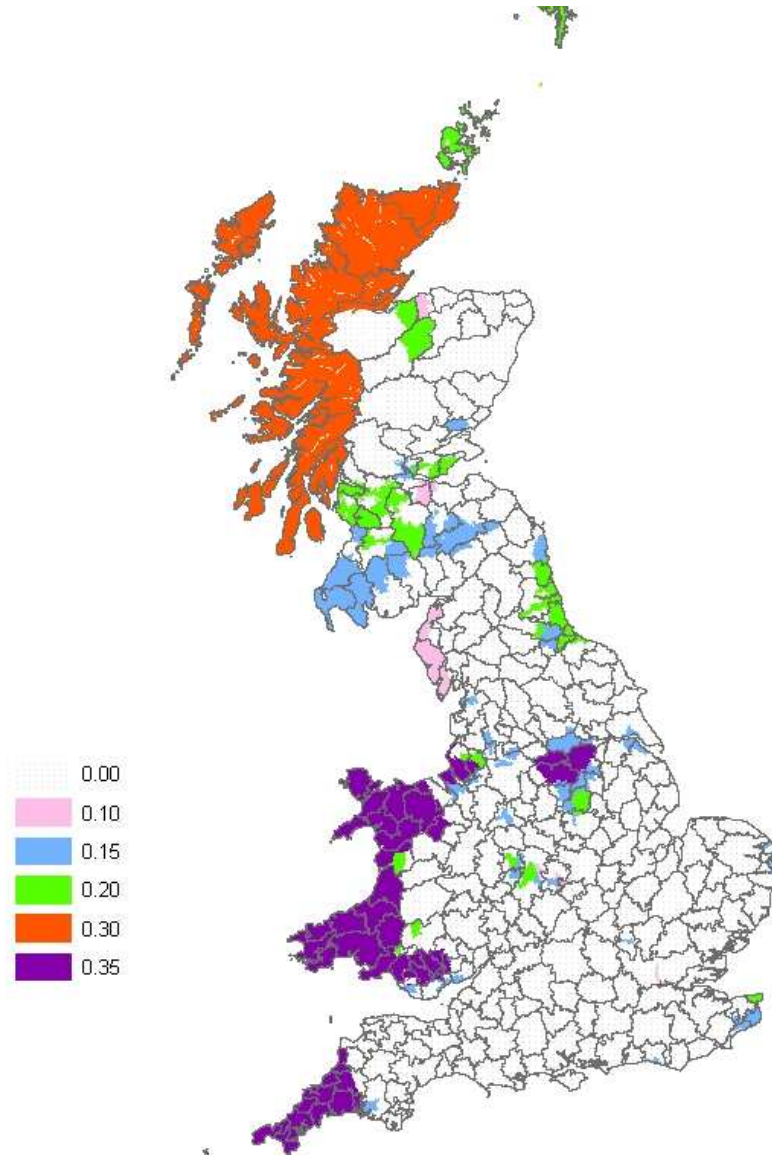
Impact of LEGI on Emp 1km rings



RSA



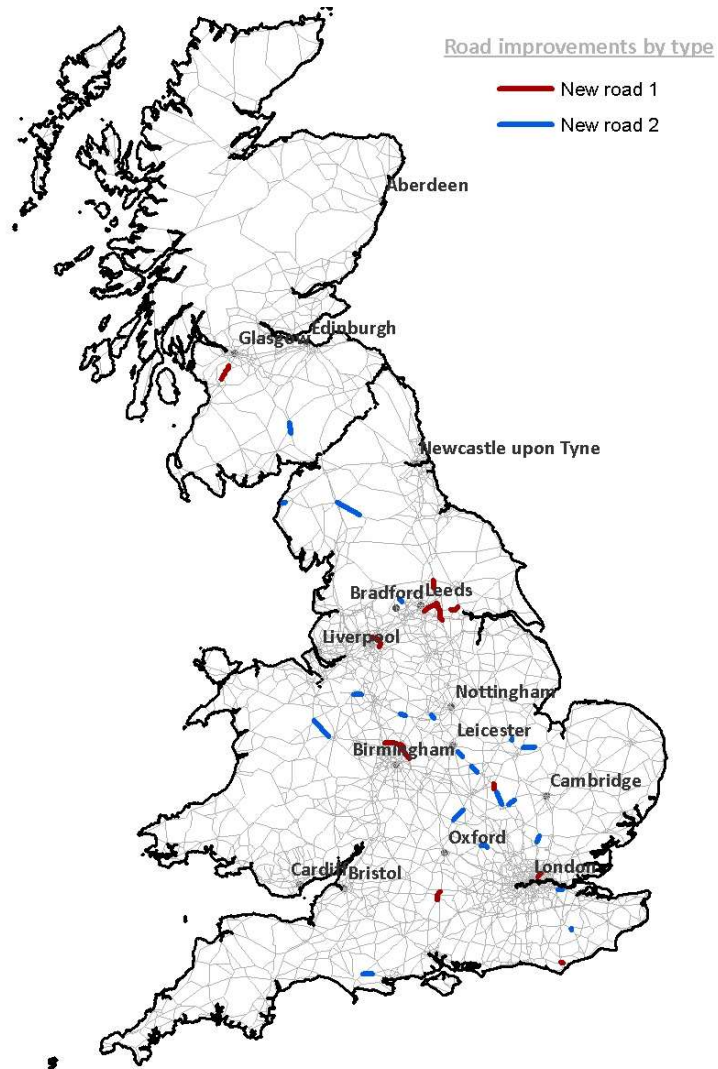
1988



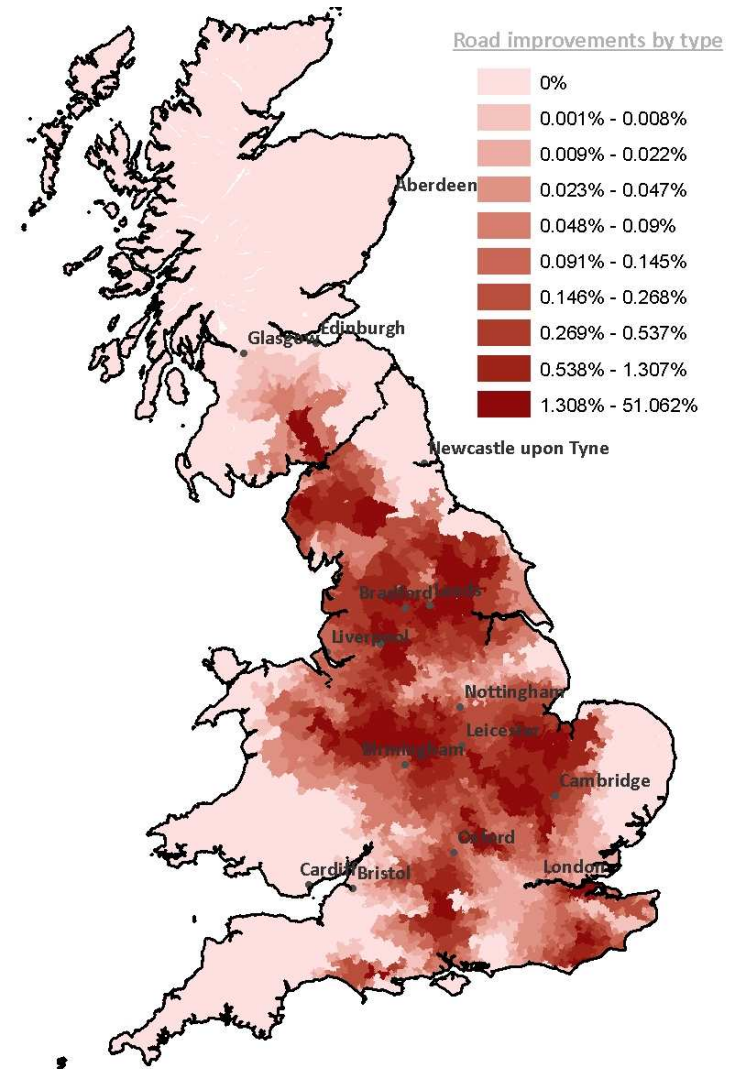
2000

Roads

Road improvements



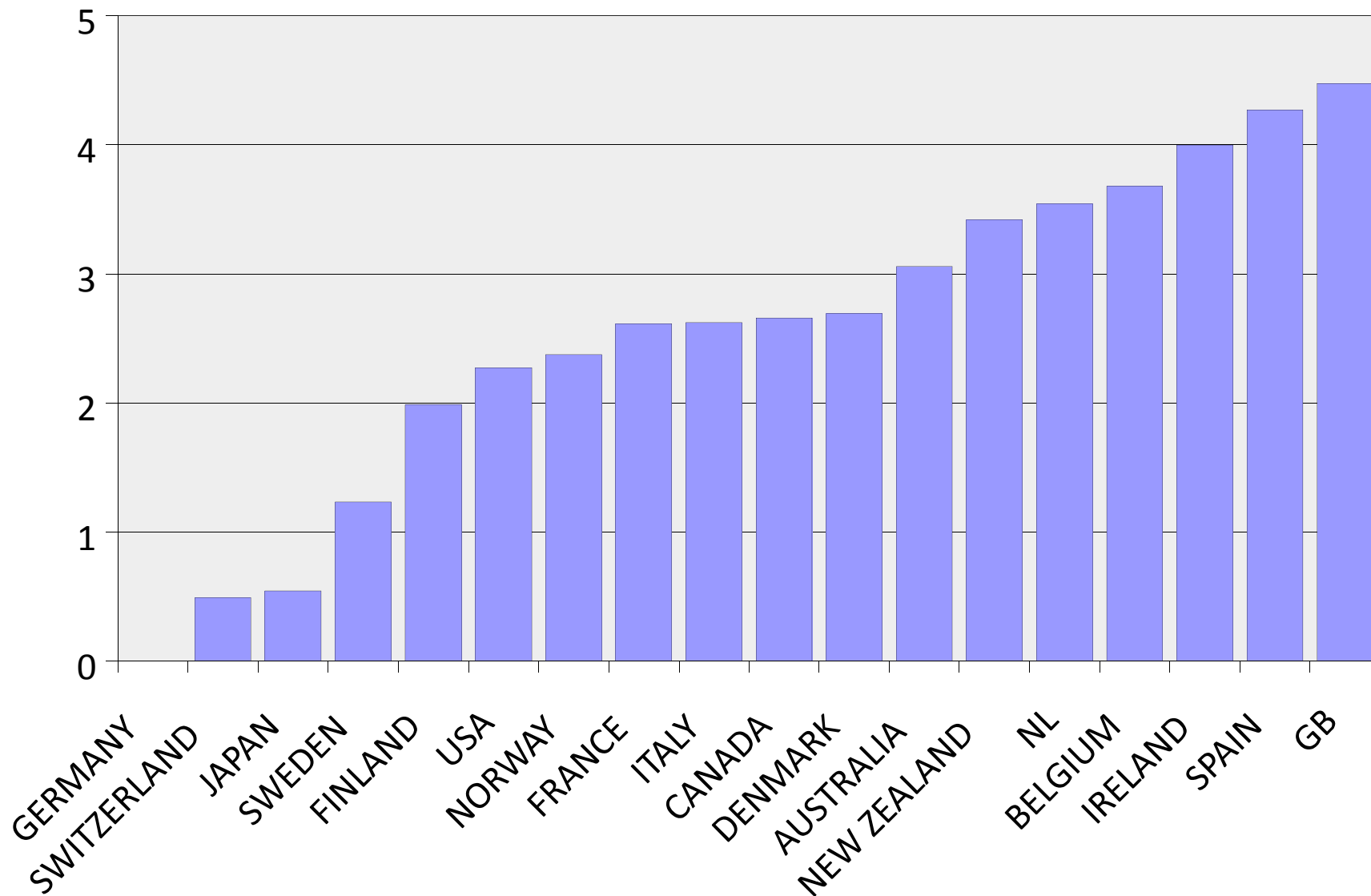
Changes in accessibility

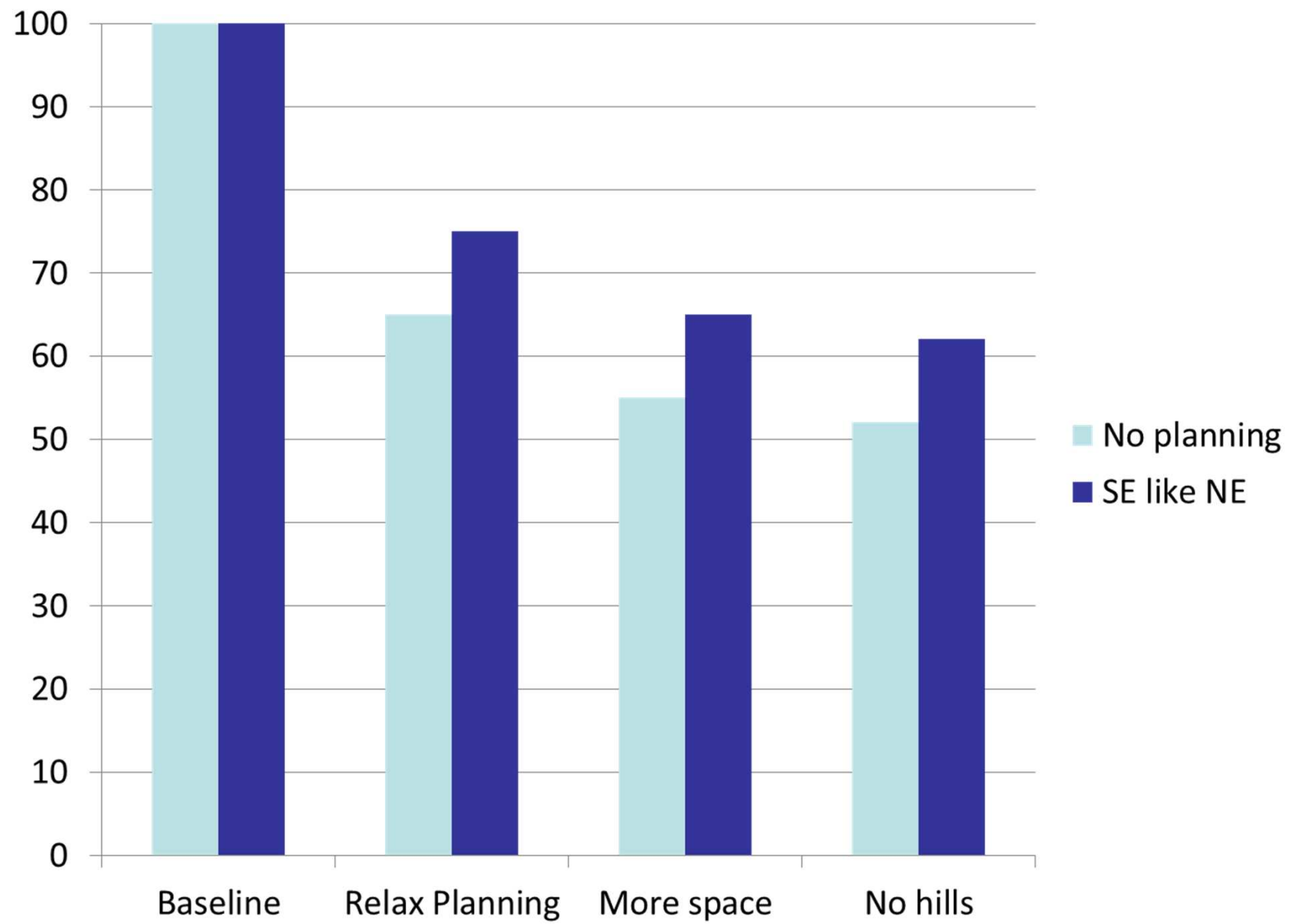


Policy and the cost of living

Cost of living: Housing

Annual average real house price growth 1970-2006



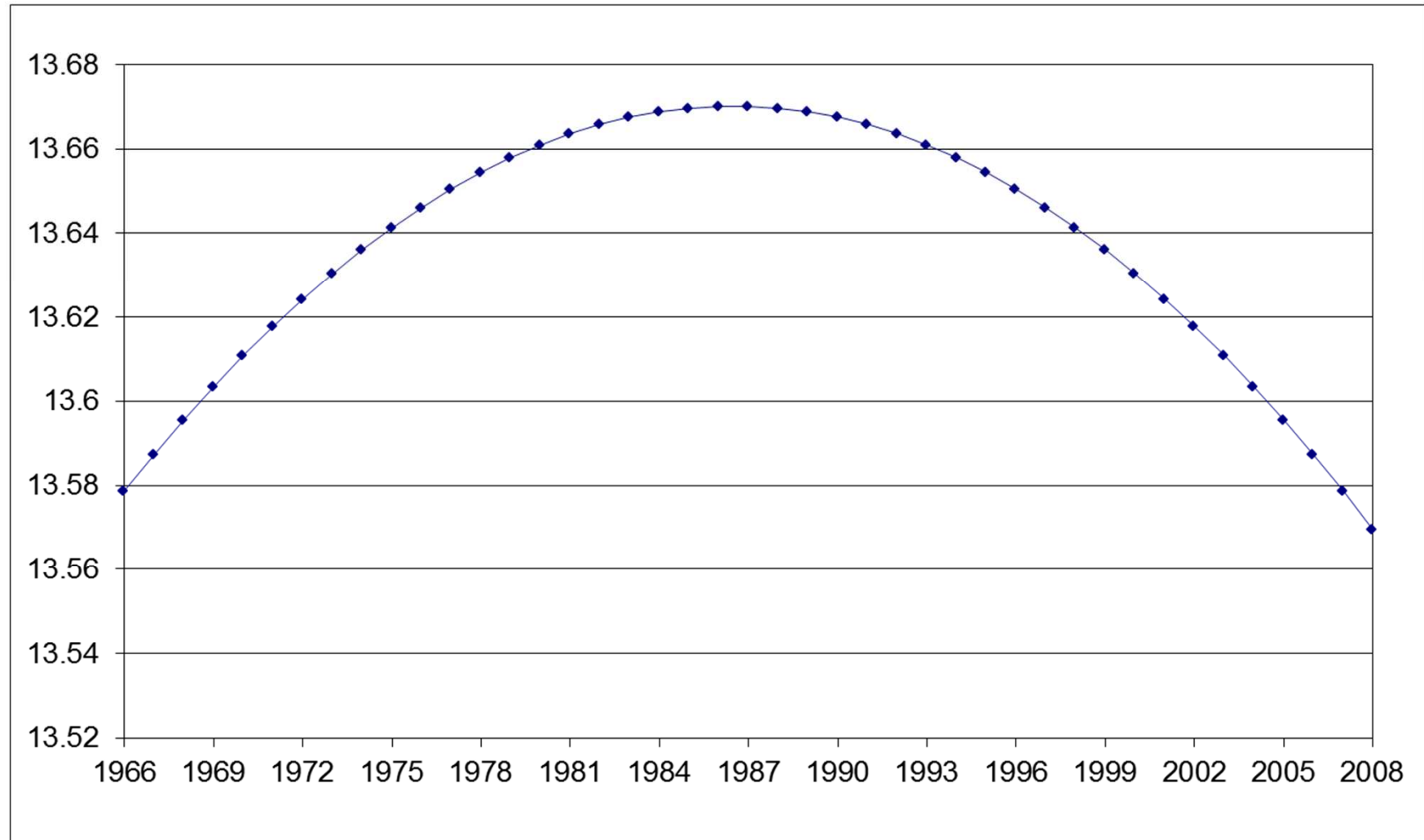


Costs of doing business: offices

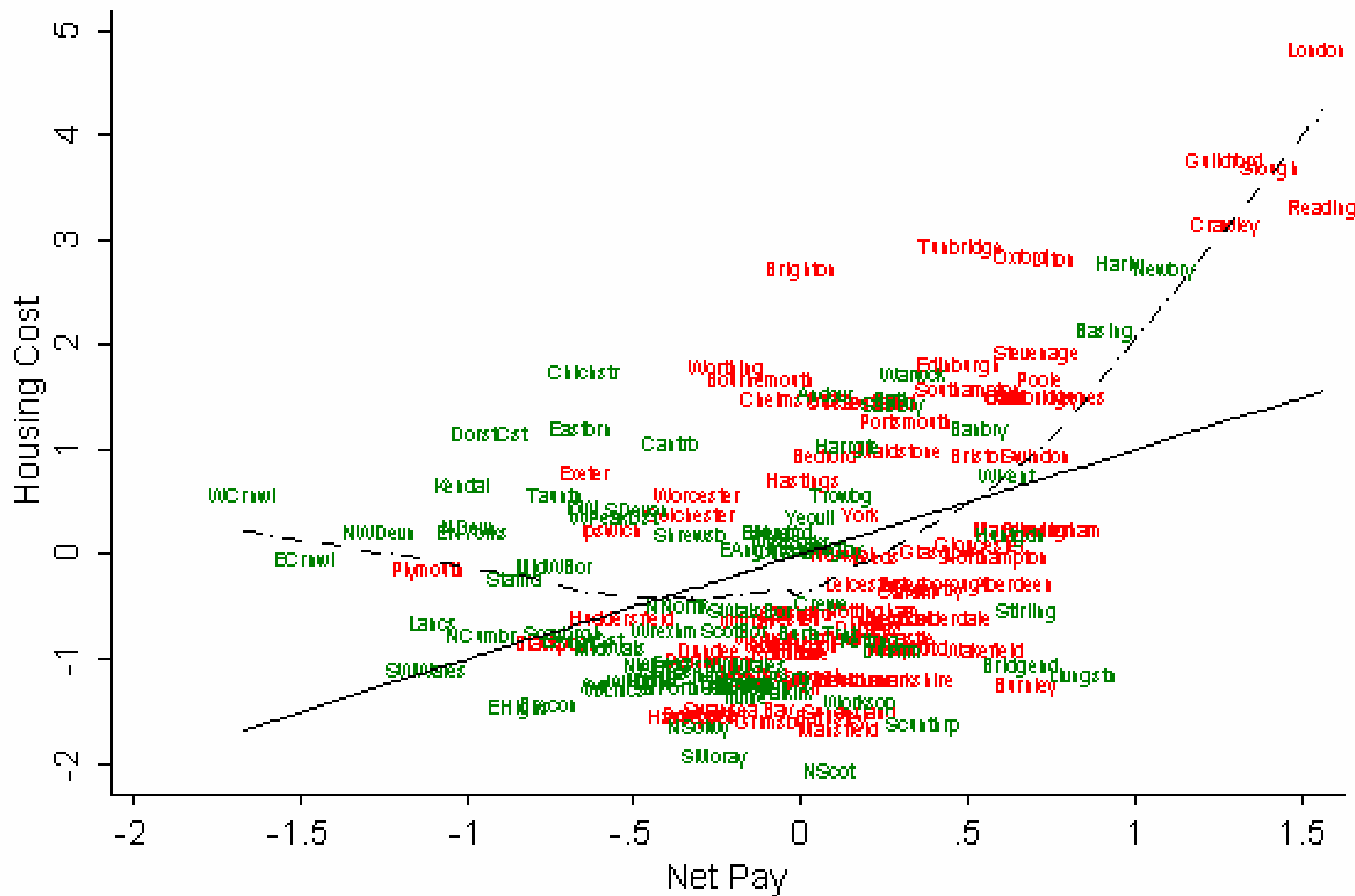
City of London	488
London West End	809
Canary Wharf	327
Manchester	230
Newcastle upon Tyne	97
Reading	203
Bristol	157
Birmingham	250
Leeds	193
Amsterdam	202
Frankfurt	437
Paris – City	305
Paris – La Défense	167
New York (Manhattan)	0-50

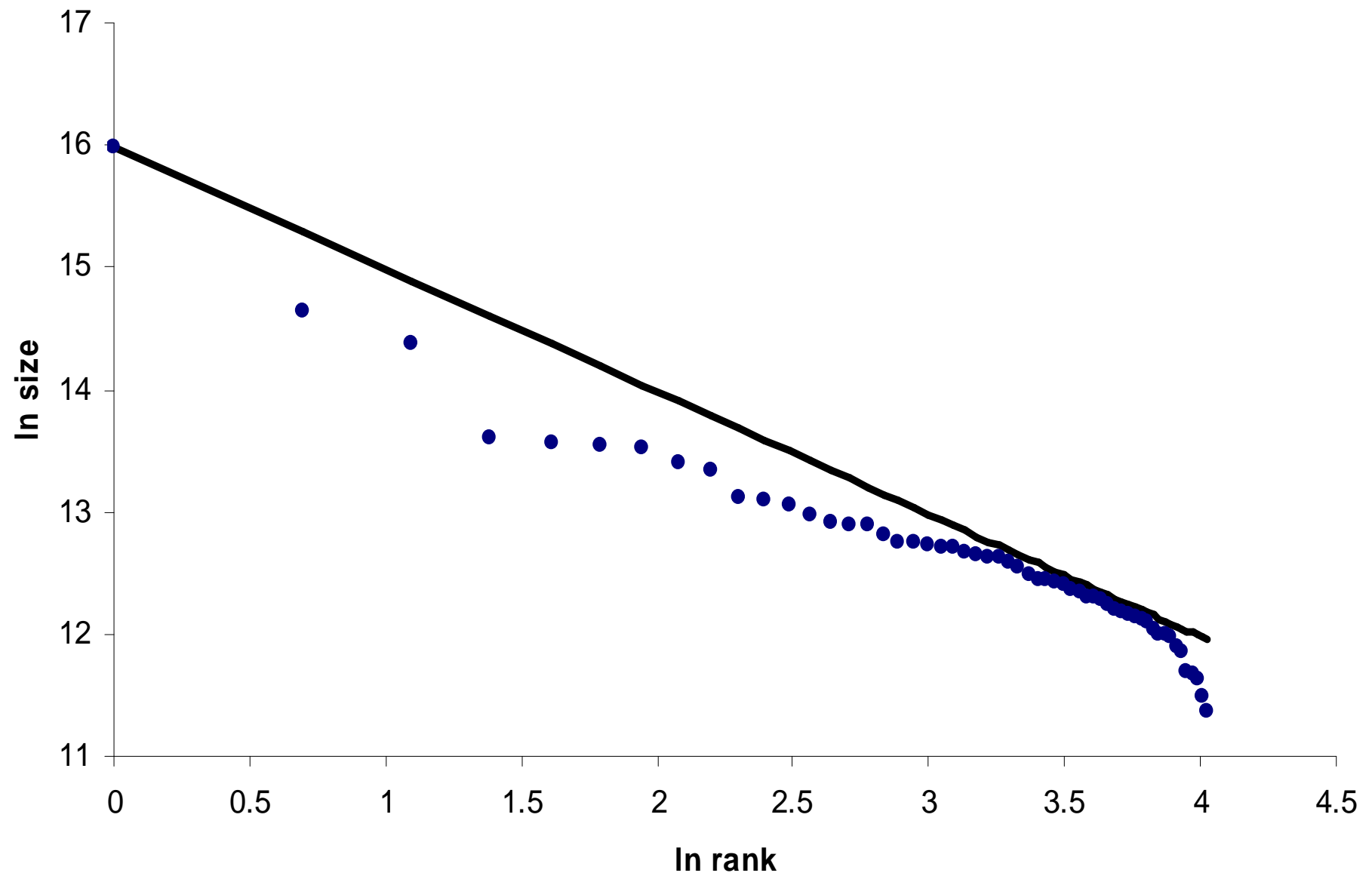
20% increase in costs of shopping

The move to Town Centre First



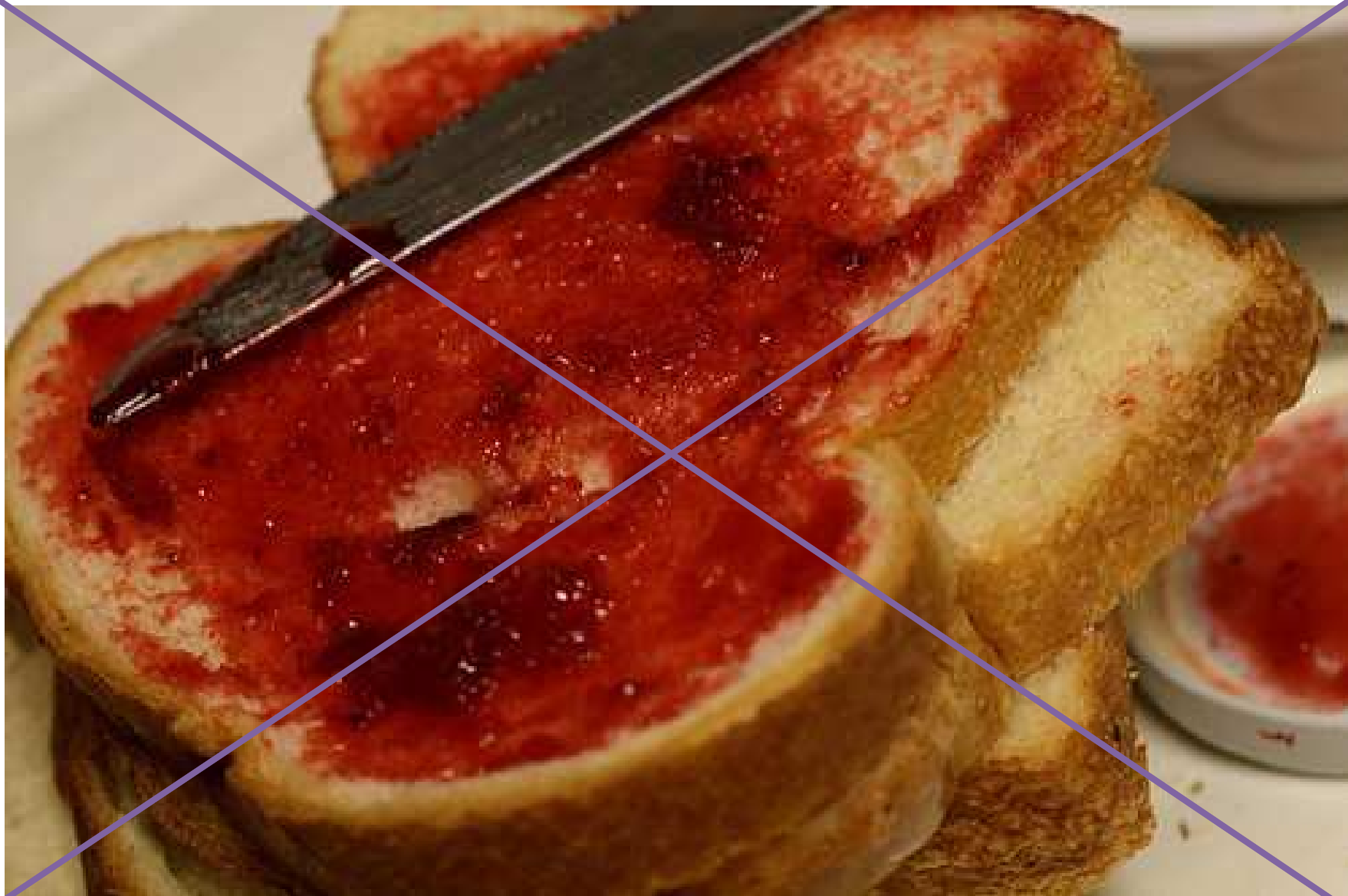
But do costs really matter?





What else could policy do?







Conclusions

- Future is bright for (some) British cities
- What can/should policy do in response?
 - ‘Productivity’ vs ‘Costs’
 - Focus on specific cities
- ... but this may widen spatial disparities
- Whether we should worry about this depends on impacts on people not places
- Not a view shared by constituency based policy makers!

References

- Who you are as/more important than where you live, raw disparities overstate area effects; area disparities and area effects persistent despite intervention:
 - <http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercdp0060.pdf>
- Evidence on ineffectiveness of mixed communities:
 - <http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercpp002.pdf>
- People trade off wages, costs of living and amenities:
 - <http://www.spatial-economics.ac.uk/textonly/serc/publications/download/sercdp0065.pdf>

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- Evaluations of LEGI, SRB, RSA and new transport schemes – coming soon
 - <http://www.spatialeconomics.ac.uk/>
- Impact of planning on house prices
 - <http://www.communities.gov.uk/documents/housing/pdf/1767142.pdf>
 - <http://www.spatialeconomics.ac.uk/textonly/SERC/publications/download/sercpp004.pdf>

References

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 - Hilber and Cheshire, Economic Journal 2008
- Impact of planning on retail productivity
 - <http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercdp0066.pdf>
- Evidence on devolving powers and city 'performance'
 - <http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercpp005.pdf>

Disclaimer

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Total impact town centre first plus restrictiveness

Representative store: All values at sample mean except...	Predicted weekly sales per sq ft	Loss in productivity
Store built in 2006 – <i>but annual productivity growth since 1986 assumed at estimated rate for 1966-1986</i>	£20.85	(Base)
Store built in 2006 (post introduction of Town Centre First Policy)	£17.52	-16.0%
Store with lowest level of regulatory restrictiveness (based on sample)	£19.21	(Base)
Average of all stores in sample	£18.39	-4.2%
Total Impact on TFP		-20.2%

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