Powerhouse of cards?
Understanding the Northern Powerhouse

Dr Neil Lee
London School of Economics & Political Science
n.d.lee@lse.ac.uk
@ndrlee
Today’s presentation

• Economic, political and theoretical context
• What is the “Northern Powerhouse”
• Understanding the Powerhouse
• The Powerhouse as fuzzy policy
• Conclusion: Powerhouse of cards?
Economic, political and theoretical context
London vs. the “North”

- Combined Sheffield, North East, Manchester, Liverpool, Leeds and Hull city regions
  - = 16% of the UK population
  - > London (Centre for Cities)
- But, dispersed and lacking central core
- Fragmented local government
- Commuting patterns much more fragmented - more self-contained
- Second major agglomeration would help counterbalance London
Theoretical context

- Economic work **New Economic Geography** / New Urban Economics (Martin et al. 2015)
  - Focus on agglomeration benefits for productivity
  - Uneven distribution of economic activity can be equilibrium / optimum outcome
- Other significant work by think-tanks and commissions
  - Lagging regions are an ‘opportunity’ (OECD)
  - Centre for Cities, IPPR North Northern Economic Futures, RSA Met Commission, Policy Exchange
Political context

• **Political rationale** for the Conservatives

  • Osborne - first ‘Northern’ Chancellor for 35 years

  • Retreat of Labour + political strategy of taking the opposition’s ground

• Context of general argument for **decentralisation** of powers

  • Highly centralised country (Parkinson et al. 2014) with long-term lobbying by local authorities (e.g. Williams, Lee and Jones, 2007)

  • But, lukewarm electorate (except Scotland) which rejected Regional Assemblies (2004) and Elected Mayors (2012) [except Bristol]

• Lack of **regional tier** of government

  • RDAs abolished and replaced with Local Enterprise Partnerships

  • Messy governance, but no strategic Northern body
The ‘Northern Powerhouse’
“Modern economists have spoken about the economic benefits when a critical mass of people, businesses and infrastructure are brought together in a large city. The whole is then greater than the sum of its parts. Our great northern cities represented here individually are quite small on the global stage - but combined they rival in size London or New York or Tokyo.

It was this opportunity to create a Northern Powerhouse that I identified earlier this year. I said that if we can bring our northern cities closer together – not physically, or in some artificial political construct – but by providing modern transport connections, supporting great science and our universities here, giving more power and control to civic government; then we can create a Northern Powerhouse with the size, the population, the political and economic clout, to be as strong as any global city.”

George Osborne (2014)
The “four ingredients”

1. Transport

- Relatively little commuting (HM Government, 2015)
- March 2015: Northern Transport Strategy
  - connections both within and between the cities of the North would be important,
  - High-Speed 2 also important for Northern economy
- Transport for the North, a pan-Northern body (steered by the leader of Manchester City Council) which is intended to coordinate transport across the whole area [but idea pre-dates ‘Powerhouse’]
- ‘Oyster card’ for North
- Unclear what the ‘new’ investment is, relative to existing commitments / strategy
- “Pause” on TransPennine routes (June 15)
The “four ingredients” (2)

2. Science and innovation

- Haldane principal of ‘best science’ versus use of innovation for economic development purposes

- General concern that current measures focus resources on Golden Triangle

  - Sir Henry Royce Institute for Advanced Materials Research and Innovation (£235million)

    - based in Manchester with satellites in cities including Leeds, Liverpool and Sheffield - but also in the South (AS 2014)

    - Funding: Sustainability unclear / thinly spread / low compared to London’s Crick (£600m)

  - Graphene Engineering Innovation Centre (GEIC) (£60m re-announced 10th Sep 2014)
3. Decentralisation and devolution

- Now a consensus on devolution of powers
  - Lobbying efforts from local areas
  - Example of London and Manchester
  - “Easy” policy recommendation
- Building on City Deals / Cities Policy Unit negotiations
  - Manchester Devolution deal, November 2014
  - Negotiations ongoing with: Sheffield City Region, Liverpool City Region, and Leeds, West Yorkshire
- National led negotiations
The “four ingredients” (4)

4. Culture

“Global cities are also great places to go out. The economist Richard Florida has talked about the way that great cities are competing for the “creative class” that powers economic growth. He’s shown how innovators and entrepreneurs are attracted to creative, cultural, beautiful places.” (Osborne, 2014)

- Announced:
  - Great exhibition in the North (£5m / £15m legacy)
  - Factory Manchester (£78m)
  - WW1 arts projects (£3m!)

- But ‘trophy’ projects - given the ‘Powerhouse label’
- Quality of life added later
Understanding the Powerhouse: Strategy or brand?
Northern Powerhouse as strategy

• Strategy: “A plan of action designed to achieve a long-term or coherent aim” (OED)

• Osborne’s long-term aim (quoted in Rigby & Bounds, 2015):
  “what I am pledging here is nothing less than the most important commitment to the north for decades: we’re going to close the north-south gap”

• Example of an explicitly geographical, interventionist and cross-departmental strategy for national growth

• “The Northern Powerhouse is a cross-governmental effort. No one else, probably even the PM, could make that happen. Only the Treasury and the Cabinet Office have that cross government focus.” - Senior BIS Official
Understanding the NP 1: Not a new idea

- 2004: John Prescott’s M62 MegaCity from Liverpool to Hull [Also Will Alsop]
- Watered down -> Northern Way
  - Stimulate growth in the North through co-ordinated policy across the area.
  - Similar areas of focus (transport and innovation), but explicit focus on urban decline / weak urban economies
Understanding the NP 2:
The Northern Powerhouse and the Manchester model

- Stable and focused local government
- Seen in Whitehall as being “easy to deal with”
- “Soft institutions” developed over time (Deas, 2014)
- Northern Powerhouse as next phase in the “Manchester Model” (Tomaney and McCarthy, 2015)
- Significant as well as spatial economic development strategy
Understanding the NP 3:
The Northern Powerhouse is interventionist

- View that existing approaches of making decisions may be self-reinforcing
  - Spending on transport is biased against North (Evidence to Transport Select Committee, 2011; IPPR North, 2012)
  - Science and innovation refocused via Haldane ‘excellence principal’ to Golden Triangle
- Civil servants: strategic view of economic development

“Leaving it all to the market doesn’t work either. The Albert Dock in Liverpool or Manchester City Centre didn’t regenerate themselves. It took national leaders like Michael Heseltine and civic leaders like Richard Leese and that brilliant star of city government, Howard Bernstein.”

Osborne, 23rd June 2014
Northern Powerhouse as **brand**

“The clearest, most coherent thing for the north of England is the Northern Powerhouse initiative offered by the Conservative party. It’s the clearest, most purposeful initiative we’ve had in the north for decades.”


- Northern Powerhouse as a brand: “A name given to a product or range of products” (OED)
  - good soundbite, specific yet vague, hard to oppose
- Label to be applied to existing policies
  - Coherence to scattered policy initiatives
  - Increase brand awareness
  - Build support for policy
Northern Powerhouse as **brand (2)**

- Past policy brands:
  - Big Society
  - Tech City
- Many policies ‘re-announced with Powerhouse label (e.g. Graphene Institute)
- Northern Powerhouse is serving **both** functions
Fuzzy policy
Fuzzy geography

• Network of cities versus single-northern hub (Glaeser et al. 2015)

• Focus is useful given austerity / concerns about ‘jam spreading’

• Politically harder to sustain focus
  
  • geographical ‘creep’ - the North East?…
  
  • copycat strategies - “Midlands, Engine of Growth”

• Will the ‘North’ turn in on itself? - “Yet more goodies for Greater Manchester” - The Guardian, after 2015 budget
Unfocused investment (2015 Budget)
Fuzzy aims

• The “Northern Powerhouse” started out as being about Manchester - but aims too broad for spatial focus

• “what I am pledging here is nothing less than the most important commitment to the north for decades: we’re going to close the north-south gap”

  Osborne, quoted in Rigby & Bounds, 2015

• Conservative manifesto suggested it was part of their goal to:

  “raise the growth rate of all parts of England, bringing areas which have grown more slowly up to at least the national average.”

Fuzzy leadership

• The “Northern Powerhouse” is a concept or an agenda rather than a codified strategy

• Some institutional change: Transport for the North / Elected Mayors / Devolution deals

• But no body responsible for delivering the remaining aspects of the ‘Powerhouse’
  • Finance distributed from Treasury
  • No single body with a budget charged with ‘Powerhouse’ leadership

• Bottom-up elements, but credit flowing upwards (Royce Centre)

• Future risks: Osborne to FO, political change, or is the soundbite too memorable?
Fuzzy theory

- Policy recommendations derived from NEG tend to be **spatially blind** (Hildreth & Bailey, 2013; Tomaney, 2014).
  - e.g. World Development Report: Invest in skills and then infrastructure to get them to cities
- But much of the Northern Powerhouse is about **spatially focused** policy
  - e.g. Science investments, devolution, arts and culture
  - Recognition that not all policy can be spatially blind?
- Only transport matches the theory
Fuzzy empirics

• Gains from transport improvements are large on aggregate, but are relatively small as a percentage of income

  • Overman et al., (2009) reduce Man-Leeds journey times by 20 mins, leads to 2.7bn gain in two cities

  • Gains through structural change rather than benefits to existing workers

• High-speed 2 may cost the North (O’Neill)

• Evidence on benefits of decentralisation very fuzzy (Pike et al. 2012)
Fuzzy finances

- Is the money new, rebadged or refocused?
  - Rebadged: Graphene Institute (Announced Jan 2013, re-announced 2014) / roads projects
  - New: Royce Centre (£235m) [Crick = £600m]
- New policies not yet of comparable scale
  - e.g. Transport for the North (£30m, X for TFL)
- Long lists of policies of negligible scale
  - e.g. WW1 “Arts Projects” (£3m)
What’s new money? We don’t know

- There **has been new money** - but not as much as claimed
- A charitable but fuzzy estimate (excluding HS2) is
  - Transport: £6.4bn (gov claim £12bn inc’s statutory)
  - Science and innovation: £240m - £430m (mostly the Royce)
  - Arts & Culture: £107m
  - Devolution: ?
- A **very rough total of £7bn new spending** (excluding devolution)
- Money may have been committed anyway (?)
- And the catch: **context of austerity**
Conclusions
Conclusions

• Strategic policy: Northern focus, new funding, new interventionism

• Northern Powerhouse = *fuzzy concept* - geographically, with vague aims, opaque funding, and leaving the theory behind

• Both a *strategic approach* and a *brand* for ad-hoc policy interventions

• But, by raising expectations risks a collapse of the concept and a devaluation of the brand (a ‘*powerhouse of cards*’)
Extras
Appendix: Some very rough accounting
<table>
<thead>
<tr>
<th>Theme</th>
<th>Estimated costing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport (not including HS2)</td>
<td></td>
</tr>
<tr>
<td>Northern Hub Rail</td>
<td>£530m</td>
</tr>
<tr>
<td>Northern Road Investment Package*</td>
<td>£4bn</td>
</tr>
<tr>
<td>Electrification and rail investment**</td>
<td>£1.65bn</td>
</tr>
<tr>
<td>Transport for North – money for smart ticketing</td>
<td>£150m</td>
</tr>
<tr>
<td>Transport for North – operational finance</td>
<td>£50m</td>
</tr>
<tr>
<td>Regional Air Connectivity Fund</td>
<td>£7m</td>
</tr>
</tbody>
</table>

*Approximate total spending committed (excluding HS2 / HS3 - £43 bn estimate):* £6.4 billion
## Science and innovation

<table>
<thead>
<tr>
<th>Project/Initiative</th>
<th>Funding (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Henry Royce Centre for Material Research</td>
<td>£235m</td>
</tr>
<tr>
<td>High value manufacturing catapult in <strong>Sedgefield</strong></td>
<td>£28m</td>
</tr>
<tr>
<td>Sovereign Wealth Fund for North (funding not yet committed)</td>
<td>N/A</td>
</tr>
<tr>
<td>Continuation funding for the National Nuclear Users Facility</td>
<td>£60m or £250m</td>
</tr>
<tr>
<td>Expansion of best academy schools in North**</td>
<td>£10m</td>
</tr>
<tr>
<td>Health North investment to promote innovation through analysis of data on effectiveness of drugs, treatments and health pathways</td>
<td>£20m</td>
</tr>
<tr>
<td>Advanced Wellbeing Research Centre in Sheffield (Part of Olympic Legacy Park)</td>
<td>£14m</td>
</tr>
<tr>
<td>Tech Incubators in the North</td>
<td>£11m</td>
</tr>
<tr>
<td>Sheffield Maker Hub</td>
<td></td>
</tr>
<tr>
<td>Leeds Future Lab</td>
<td></td>
</tr>
<tr>
<td>Manchester Forward Plan</td>
<td></td>
</tr>
<tr>
<td>Financial technology incubator Leeds</td>
<td>£3.7m</td>
</tr>
<tr>
<td>Extra funding for Centre for Process Innovation in chemicals sector</td>
<td>£1m</td>
</tr>
<tr>
<td>Extend Enterprise Zones in North</td>
<td>£15m</td>
</tr>
<tr>
<td><strong>National Graphene Institute / Graphene Engineering Innovation Centre (GEIC)</strong></td>
<td>£45m</td>
</tr>
<tr>
<td>Anti-microbrial resistance centre of excellent</td>
<td>£4m</td>
</tr>
<tr>
<td>Northern Powerhouse Trade Missions</td>
<td>£15m</td>
</tr>
<tr>
<td>Northern Powerhouse Investment Taskforce</td>
<td>£7m</td>
</tr>
</tbody>
</table>

**Approximate total spending committed (excluding Northern Powerhouse Investment Fund):**  
£240m - £430m
### Arts & Culture

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Exhibition in the North</td>
<td>£5m</td>
</tr>
<tr>
<td>Great Exhibition Legacy Fund</td>
<td>£15m</td>
</tr>
<tr>
<td>Manchester Museum’s South Asia Gallery</td>
<td>£5m</td>
</tr>
<tr>
<td>Hull city of culture</td>
<td>£1m</td>
</tr>
<tr>
<td>Support for Rugby League World Cup (Funding level not yet announced)</td>
<td>N/A</td>
</tr>
<tr>
<td>The Factory, Manchester</td>
<td>£78m</td>
</tr>
<tr>
<td>Arts Project for WW1</td>
<td>£3m</td>
</tr>
<tr>
<td>Refurbished Muni Theatre in Pendle</td>
<td>£56k</td>
</tr>
<tr>
<td>Reinstated Norway Ferry / Marketing</td>
<td>£300k</td>
</tr>
</tbody>
</table>

**Total Arts & Culture Spending**  

**Total Northern Powerhouse spending**  

** Part of wider expansion programme