

Chapter 3

Regional policy for the 1980s

In the late 1960s and early 1970s there was a broad consensus in favour of regional policy. Spending on regional subsidies was high and Industrial Development Certificates (IDCs) were often refused for projects in prosperous areas. At the same time programmes for urban redevelopment and movement of jobs and people out to 'overspill' areas and New Towns were believed to provide an effective long-term solution to problems of the cities.

Now, at a time of general recession and worsening problems in the cities, both regional policy and urban policy have reached a watershed. Were such policies in fact misguided? Are they still appropriate in the context of recession? Should the same aims of policy be maintained even if the policies themselves are slimmed down?

Urban policy is already in the process of reversal with new emphasis on the promotion of inner-city employment. Regional policy is subject to contradictory pressures. On the one hand, the general rise in unemployment and the factory closures and severe shortage of jobs in a growing number of areas strengthen demands for specific aid to the areas affected. On the other hand, there is an acute scarcity of new jobs to be 'created' or relocated, job-saving appears increasingly costly, and public expenditure restrictions have halved government spending on regional subsidies. Together with an almost complete relaxation of IDC controls, this means that regional policy is now weaker than at any time in the past two decades.

As the preceding chapters have shown, there is considerable evidence about the causes of regional and urban problems and about the effects of policies followed in the past. The evidence is used in this chapter as the basis for a re-evaluation of the role of regional and urban policies and the instruments and institutional framework through which they are implemented.

We conclude that there is a good case for halting and even reversing the rundown of regional policy, despite the present recession. However regional policy needs more co-ordination.

At the European level the government is seeking increased regional aid from which the UK might expect to benefit. At the national level, while cutting back regional subsidies it has introduced an innovation in the form of 'enterprise zones' intended to aid recovery of derelict urban areas. At regional level,

English planning boards and councils have been abolished while devolution for Scotland, Wales and indeed Northern Ireland has been shelved. At the local level, councillors, MPs and trade union groups are left to seek almost any form of *ad hoc* measure from any source which may help to relieve the situation.

Regional and urban problems are too large and persistent to be tackled *ad hoc*. In the end the fate of most areas within the UK will depend mainly on national and international action to end the recession since, in the absence of a general economic recovery, unemployment is bound to proliferate. But even in recession there is a need for policies to prevent an accumulation of problems in the worst-hit areas and, in our view, to reduce the large-scale involuntary migrations that will otherwise take place. To be really effective regional and urban policies must in the long run be operated on the basis of an overall assessment of the possibilities and needs of each part of the UK – something which at present scarcely exists. Moreover policies should be designed with more emphasis on the particular situations on which they must act.

The regional problem

The processes which cause imbalance between the location of jobs and population are slow-moving but persistent. Part of the problem, as shown in Chapter 1, is that demographic trends in labour supply vary considerably among different parts of the UK. On the other hand trends in the location of jobs are mainly governed by historical differences in industrial specialisation, the structure of enterprises, the pattern of past urbanisation and the effects of policy in previous decades. In the past fifteen years the cumulative shortfall of employment in Northern Ireland, Scotland, the North-West and the North of England, relative to demographic trends and to conditions in the UK as a whole, has been around one million jobs – this despite strong regional policies in the late 1960s and early 1970s which shifted some 350 thousand jobs in favour of those regions.* Most of the shortfall in jobs was accommodated by emigration to the South or overseas. A small part was reflected in a worsening of the already high unemployment in the North relative to the rest of the UK. Thus even the 'strong' regional policies of the past only served to

* Moore, Rhodes and Tyler, 1980.

reduce the imbalance between jobs and growth of population by about one-quarter.

The regions with the highest increase in jobs relative to demographic trends have been East Anglia, the South-West and the East Midlands. In all three of these regions emigration from the North has meant an inflow of people seeking jobs which is sufficient to push up unemployment at about the same rate as the national average. The South-East, uniquely, has had a significant fall in unemployment relative to the average, made possible by demographic decline in the labour force *not* offset by net immigration.

The West Midlands has more recently suffered a loss of employment which is now turning it into a 'problem' region. Wales, which had maintained its share of employment (largely because of regional policy), is also becoming a problem region because of its heavy loss of jobs in the steel industry.

In contrast to regional shifts which have generally been regarded as harmful, the movement of jobs and people away from large cities, especially their inner areas, towards surrounding towns and rural areas has until recently been regarded as almost wholly desirable. Indeed it has been promoted by governments and local authorities. But now that serious inner-city problems are evident in all the conurbations, including London, this movement also is a subject of concern.

The case for regional policy in the 1980s

The general aims of improving the balance between the location of jobs and people, reducing *involuntary* migration and if possible diminishing the heaviest concentrations of unemployment, establish a *prima facie* case for regional and urban policies. The other crucial elements in the case are the question of whether government intervention is the best way of resolving the problem and how the costs of such intervention should be assessed.

One view which cannot altogether be ignored is that movements of employment and population should be governed mainly by market forces. At its harshest, this doctrine implies that if a region is in relative decline, people should choose between migration to another region and lower wages such as to make their continued employment in that region economically viable. This economists' doctrine is unrealistic in view of the tendency for productivity and wages to become more equal among different parts of the UK, while differences in employment growth have remained pronounced — especially when equalisation of wages has itself been sponsored by national institutions, including large companies, trade unions and indeed the government itself. People living in problem regions do not have the degree of free choice which such a doctrine presupposes, nor can it be taken for granted that increased wage differentials among regions would readily alter the distribution of jobs in an equilibrating manner.

On the other hand if regional policy is conceived in terms of government intervention, the benefits and costs have to be considered explicitly.

Chapter 1 showed that past policies did indeed influence location decisions of firms and modify the pattern of movement of jobs. But although the policies

were aimed at reducing unemployment in problem areas, their main impact was in fact to reduce net outward migration from those areas — perhaps by as much as four-fifths of the additional jobs provided.

This casts some doubt on the major economic justification formerly claimed for regional policy. It was then argued that jobs transferred to areas of higher unemployment would relieve labour shortages in the most prosperous areas and increase the level of employment overall. Since the transfer of jobs substantially reduced migration, this benefit was in danger of being exaggerated.

In any case, in the circumstances of the 1980s where unemployment is, at least for the present, high and rising in almost all parts of the UK, regional policy is not needed to alleviate labour shortages.

The case for regional policy must now be a social one, resting mainly on the desirability or otherwise of reducing involuntary migration. It should be recalled that the migration discussed in Chapter 1 occurred at a time when regional policies were at their peak. Nor has worsening recession diminished migration in recent years. With regional policy cut back it is quite likely that imbalances in the distribution of employment and population will now gradually intensify, increasing net emigration from areas with the worst problems.

As far as North-South migration is concerned, there are good reasons for supposing that it is to a large degree involuntary and undesirable. For one thing, it only occurs where employment is seriously inadequate. In most cases, the people concerned have little choice other than to move or to become unemployed (or conceivably, to accept an unsatisfactory job — in which case the problem would have been passed on to someone else). The fact that unemployment is high in the regions suffering emigration itself suggests that migration is not an easy or painless solution to the lack of jobs.

The implications of the urban-rural shift within regions are less clear. The movements involved are comparatively short. Widespread car ownership and other modern communications mean that people are much less tied than formerly to social amenities where they live. The growth of commuting suggests that living in large cities has become less popular. Moreover the issues raised by the outflow of jobs and people from large cities and by the growth of commuting are not only those of the immediate benefit or hardship to individuals who move, but include 'external' or community-wide issues such as the disbenefits of extensive road traffic, the costs of public transport networks and more general effects on rural and urban environments. Thus although the problem of inner-city unemployment requires urgent attention, policies with regard to the general urban-rural shift of employment have to be considered within the overall context of social planning for each region.

Costs of regional policy

Given the severity of national economic problems, the case for regional policy may now turn as much on its costs as on the benefits which it should ideally be designed to achieve. The costs are not simply a matter of how much the government has to pay.

To bring out the main issues, consider first the costs of direct controls such as IDCs which seek to shift employment to problem regions by restricting new developments in other regions. Although the cost of such controls to government is negligible (and they do not necessarily impose much direct financial cost on firms), they may damage the firms involved and the national economy as a whole by making it more difficult to compete successfully against overseas firms. Such controls may also deter foreign companies from investing in the UK or encourage British companies to invest abroad or deter them from investing at all. The limited direct evidence available* is that such detrimental effects have been small, but by its nature the evidence does not cover companies who did not apply for Certificates because they knew they were likely to be refused. However it is doubtful whether the disadvantages of enforced location in declining areas are large in the long run since new plants in assisted areas in the UK have, at least until recently, performed at least as well as those in other areas.† Controls, at least when accompanied by subsidies, have succeeded in establishing extensive and competitive new industrialisation within the problem regions.

Now consider the costs of regional subsidies. It has been estimated that the government pays an average of something like £30,000 per job moved into assisted areas.‡ Thus if spending on regional subsidies must be considered within a fixed public expenditure total, the cost is quite high in terms of other social priorities such as health services, welfare benefits or the like which must implicitly be foregone. However the direct financial cost of regional subsidies is not a good measure of their economic cost. For one thing, turning the argument of the previous paragraph in reverse, they may positively assist British companies to compete internationally or attract foreign investment with consequent benefits to national income and to the government's tax revenues. Even if this were not the case, the money paid out through regional subsidies may help firms to keep prices down, or to pay better wages. Regional subsidies involve redistribution of income; they do not take money from the private sector as a whole nor is the general taxpayer necessarily a net loser.

We accept that the judgement as to whether the benefits of regional policy, in terms of reduced migration and a small transfer of unemployment away from problem regions, outweigh the possible costs outlined above must be a political one. The cost of regional subsidies will be high under the present government's economic strategy which includes fixed limits to total public spending. At the same time in the present recession direct controls such as IDCs may be undesirable and are unlikely to be effective in transferring jobs.

However within the context of a national economic recovery which, as argued in our previous *Review*,

would require an entirely different overall economic strategy allowing a different attitude to total public spending, the case for a reinforced regional policy would be strong. Even in present circumstances regional policy is unlikely to be abandoned entirely; thus the question of how it can be made effective remains an important one.

Regional policy instruments

So far the discussion has been concerned with what regional policy seeks to achieve, what it actually achieves and the type of cost criteria which are relevant to the decision on how much regional policy to have in conditions where unemployment is high in all regions. In this section instruments of regional policy are considered with a view to making proposals about how the effectiveness of regional policy could be improved.

Policies with regard to the urban-rural shift of population and employment and inner-city problems will be discussed further below. Here we first consider regional policy in its traditional role, that of attempting to counter North-South movements within the UK as a whole.

We have seen that the main direction of migration has been from Northern Ireland, Scotland, the North and the North-West to East Anglia, the South-West and the East Midlands. The South-East can be added to the list of regions with least problems since its unemployment has been kept down through the absence of net immigration. Accordingly it is right that as long as past directions of flow persist, regional policy should discriminate most strongly between the North and West of the UK and regions in the South and East.

The instruments by which regional policy has been applied fall into four main groups – direct controls (IDCs), blanket subsidies (such as the Regional Employment Premium and Regional Development Grants), factory building by public agencies, and selective subsidies (such as those provided under the Industry Act).

We have already noted that direct controls are not likely to be effective in a recession, although there is a strong case for their active use in the context of any national economic recovery.

Blanket subsidies, such as the Regional Employment Premium (REP), are costly within the present framework of restriction on total public spending particularly if their real value is to be maintained in periods of high inflation (if their real value is not maintained they become less and less effective). Because of the public expenditure commitment a time limit has always been fixed for such operating subsidies and the possibility of abolition has led firms to discount the subsidy in planning their future activities. Moreover the fact that REP was paid to all manufacturing firms on the basis of their total employment rather than at the margin put this type of measure at a disadvantage with respect to cost effectiveness as compared with capital subsidies such as Regional Development Grants (RDGs). RDGs operate more at the margin in the sense that they are

* See HMSO, 1973.

† See Atkins, 1973.

‡ See Marquand, 1980.

paid for an addition to a firm's capital stock. Because they influence strategic investment decisions, they have a better chance of diverting long-term employment to assisted areas than has a blanket labour subsidy. Moreover RDGs are received soon after the capital expenditure has been undertaken and firms have clearly attached great importance to the 'automatic' and 'certainty' aspects of this capital subsidy. However, since a major objective of regional policy is to redistribute jobs, there is a case for an employment criterion in the RDG scheme, such as a cost-per-job limit, in order to reduce or avoid subsidy of highly capital-intensive projects such as oil refineries which employ few people (and which might often be located in an assisted area even in the absence of the subsidy).

Government factory building is the oldest and one of the more successful of all regional policy instruments. Since the war successive governments have built well over 1000 new factories in the assisted areas, perhaps comparable with the number built by industry itself. Moreover in the longer term the financial costs of this policy are low because the factories are either sold to their occupants or yield returns to the public agencies which build them. The policy is an attractive one because of its flexibility in several respects. Firstly a well designed factory programme can attract jobs to specific areas worst affected by unemployment. Secondly, a rent-free period of variable length can be given to suit the needs of particular firms as they try to establish themselves in a new location. Thirdly, the factories are planned so that firms can expand easily and quickly on the same site at low cost. Finally, the sites are well provided with utilities and services. There can be little doubt that the ready availability of suitable factories in assisted areas has proved a magnet to many firms, once they have decided to move.

Selective financial assistance ought in theory to be a highly cost-effective policy instrument because it provides an opportunity to identify those firms which policy can influence and to pay them just the amount of grant which would bring a desirable result from the region's point of view. In practice it is a continuing source of anxiety because it involves a large element of administrative discretion in conditions where there is all too little time and information. The problem is in part one of constitutional relationships – whether and how the decision-making process can be made sufficiently accountable to Parliament and for that matter to the local authorities and employees affected. Another problem is that, because of its selective nature, firms do not know in advance how they are going to be treated. Yet, *ex post*, because of administrative difficulties all successful applicants tend to receive broadly the same amount of subsidy per job created: in practice we often have the worst of both worlds, the disadvantages of selectivity without the advantages. An important aim for regional policy for the 1980s should be to develop further the criteria for paying selective financial assistance.

All regional policies ought to be designed and implemented with a clear view of institutional and spatial considerations. From this viewpoint, selective policies should have a special function of different-

iating among types of enterprise and location. As far as large companies, multi-national or multi-regional, are concerned, the aim of policy is to induce movement of jobs which would not otherwise occur. In this context, selective assistance places the government in a bargaining position; it has to make up its mind how much it needs to offer to influence any particular firm and whether the cost is justified.

On the other hand, when it comes to new firms or existing local firms in assisted areas, the aim of policy must be to encourage or strengthen them so that they can maintain or expand local employment. In this context selective assistance is not so much a matter of bargaining as one of support. Quite different criteria are needed from those appropriate to negotiation with large companies.

Another set of criteria is needed to deal with threatened closures. Plant closures are by far the largest source of manufacturing job losses in all regions. While hopeless cases must clearly be allowed to close there are others, such as was the case with Ferranti and Rolls Royce, where allowing closures to take place would clearly have been wrong from all points of view.

The importance of policy towards small firms is strongly emphasised by the present government which has made over fifty legal and administrative changes designed to aid them. Small firms (employing under 200 people) account for only 20% of employment in manufacturing* which, being the most 'mobile' sector, is that which regional policy must mainly seek to influence. But it is true that young firms, which are also on the whole small firms, have been expanding their employment while old firms, which tend to be larger, have on average contracted their employment.† Thus areas with a high rate of formation of new manufacturing firms gain significant employment from these firms in the long run. Many declining areas have low birth-rates of new firms (because being already dominated by large firms they lack the small-company background which is the main source of people who found new businesses). There is thus a case for a new form of selective assistance to encourage the founding of new manufacturing businesses in declining areas, for example by providing training grants and start-up grants or loans for this purpose to suitable applicants rather on the lines of grants to students. Such a policy could have only a very small effect in the short run but, providing the policy is sustained over, say, two decades and the new firms grow and stay in the region, it is a promising way of eventually generating self-sustained growth and restructuring regions so that employment can be sustained without migration and without continued resort to regional policies of the traditional kind.

Apart from specific attention to different types of enterprise, regional policy should also, if it is to be really effective, take full account of subregional location issues. In a rough and ready way this is achieved at present by drawing boundaries for levels of entitlement to assistance, distinguishing Special

* HMSO, 1971.

† Fothergill and Gudgin, 1979.

Development Areas, Development Areas and Intermediate Areas. But, as we shall argue below, regional policies should be linked in a more flexible way to subregional objectives and plans so that they reinforce, and are themselves strengthened by, policies to deal with inner-city problems and the general urban-rural shift.

As long as the recession and public expenditure restrictions rule out a general strengthening of regional policy, the main emphasis will have to be on making existing instruments, RDG, factory building and selective assistance more effective by on the one hand discriminating among large companies, existing local firms and new firms, and on the other hand by linking the policies more carefully to subregional planning.

If and when a national economic recovery can be achieved, regional policy could be very much strengthened by the reactivation of direct controls such as IDCs.

Subregional planning

The urban-rural shift of employment and population has generated clearly identifiable problems in inner-city areas. This was recognised by a June 1977 White Paper (Cmnd 6845) which reversed previous policies and committed the government to developing a specific policy for such areas. In our view the main problem arises in the case of the inner areas of the six largest conurbations – London, Birmingham, Manchester, Glasgow, Merseyside and Tyneside, where land suitable for new development is a long way from the inner areas and also, unlike smaller cities, is administered by a different local authority. Therefore, policy should be concentrated initially on the inner areas of these six conurbations.

Three of the conurbations with acute inner-city problems, Glasgow, Merseyside and Tyneside, have benefitted over the years from the full range of measures available under traditional regional policy. Of the remaining three, Manchester was located in an intermediate area during the 1970s (but is now to be descheduled) while Birmingham and London have always been well outside the assisted areas. There is evidence* that while the conurbations in the assisted areas and their surrounding hinterlands have attracted new jobs as a consequence of regional policy, very few firms were induced by policy to locate in the inner cities. Regional policy in the 1960s and 1970s which made an employment contribution to nearby surrounding areas may have prevented the inner-city problems of Glasgow, Liverpool and Newcastle from becoming seriously worse. But meanwhile serious problems have developed in Manchester, Birmingham and London. Whatever is the answer to inner-city problems it can be said that traditional regional policies are not likely to solve the problem.

As far as policy instruments are concerned, among the range of regional policy measures discussed above, two are particularly relevant to inner cities. The first is the factory-building programme which should give priority to these areas and be widened in scope to allow local authorities to undertake site-clearing

* Moore, Rhodes and Tyler, 1980.

operations which would facilitate the *in-situ* expansion of larger local employers or at least allow them to remain within the inner area of the conurbation. Constraints of space for expansion or for renewal of outdated premises appear to be a major cause of declining employment in urban factories and of above-average urban closure rates. City authorities, aided by central government money, should be able to take a very much more positive stance than hitherto in planning for factory expansion, in conjunction with firms. A necessary part of such a strategy would be power to secure the release of unused, sometimes derelict, land held by nationalised industries or private companies, perhaps aided by some incentive such as partial exemption from development land tax. The value of providing space and buildings has been demonstrated in the case of Tyneside which was fortunate in having the Team Valley site reasonably close to inner-city areas. The development of this industrial estate since the 1930s has been one factor in the good performance of inner Tyneside relative to the inner areas of other conurbations.

The other regional policy instrument which could aid inner cities is selective assistance under the Industry Act. It should be extended to the inner areas of all six large conurbations to encourage new projects and to prevent employment losses.

Some of these suggestions were included in the 1977 White Paper. This encompassed four main policy proposals. First it was decided to relax IDC policies and reduce New Town programmes. Secondly, advanced factories could be built and let on preferential terms, and there was to be some modification of manpower and training programmes in favour of inner cities. Thirdly, a new priority was to be given to inner cities in the allocation of public spending programmes such as education, health and social services; 'partnership' schemes within selected parts of some inner cities would cut across established practices in central and local government in an area-based approach to all public sector activities. Finally the urban programme was to be extended in scope to cover economic and environmental projects (local authority expenditure on the programme being grant-aided at a rate of 75% by central government).

The present government will continue with the 'partnership' schemes and the urban programme although some 'streamlining' of the schemes is to take place. The government has also introduced legislation to set up Urban Development Corporations in the London and Merseyside dockland areas, broadly modelled on New Town Development Corporations. In addition the April 1980 Budget introduced proposals to establish about six small 'enterprise zones'.

Some of these policies deal with symptoms rather than causes, and although valuable should not distract attention from the need to tackle the causes. Existing policies which do the latter (i.e. advance factory building and training grants) need to be significantly strengthened by the policies outlined previously.

The most publicised new initiative, enterprise zones, is most unlikely to make a large contribution. For one thing, the areas now being selected by the government as 'enterprise zones' are not appropriate for an

attack on inner city problems. The boundaries are to be set to include only about 500 acres or 1 square mile and the cities selected so far include London, Merseyside, Sheffield, Belfast and the lower Swansea Valley. The areas are so small that on current densities each would provide a maximum of about 15,000 jobs if the whole area were fully occupied by businesses.

The main effect of small enterprise zones within conurbations is likely to be to divert employment, particularly within the service sector, away from nearby locations in the same inner-city area. The most important concessions to prospective occupants are exemption from local authority rates and 100% tax allowances on commercial buildings. Both of these measures form larger incentives for service firms than for manufacturers since rates are a lower component of total costs for the latter while industrial buildings already attract partial tax allowances. This is a significant weakness since service firms are less mobile over longer distances and for them the main result will be to induce local moves. Similarly, simplified planning procedures will be most attractive to firms in nearby areas for whom a move into the zone will involve fewest costs to offset against the gain.

Since the problem of inner cities is closely linked to the role of conurbations and their relationship with surrounding towns and rural areas, policies to deal with the problem raise fundamental questions, both about the long-term planning of regions as a whole and about the reconciliation of interests of different groups of people.

What happened in the past is reasonably clear. The conurbations grew as industrial centres, but since the mid-1950s have progressively been converted into service centres. People have moved out of the conurbations but increasingly commute in both for employment and for access to services. It cannot necessarily be assumed that these trends will continue in the same form in the future. For example, new technology may undermine the centralisation of services making inward commuting less necessary and leaving the inner areas of conurbations without any clear function. In spite of the difficulties stronger policies are urgently needed, even though such policies are bound to involve some change in the advantages of different groups, notably as among those working outside the cities, the commuters and the residents of inner cities themselves.

The institutional framework

At national level there is no clear ministerial responsibility for overall co-ordination of regional and urban policies in the UK. The Department of Industry deals with regional policy in the narrow sense; employment and training come under the Department of Employment; the Department of the Environment has responsibility for local authorities, the urban programme, New Towns, inner city policy and the now defunct regional planning process for England.

In the case of Northern Ireland, Scotland and Wales there are Departments and Secretaries of State with a general responsibility for the impact of policies on each of these countries as a whole. Implicitly, the

Cabinet looks after England's needs and attempts to balance the interests of different constituent parts of the UK.

As far as the three countries other than England are concerned, the need for a coherent view and the legitimacy of a distinct regional assessment of policies are not in doubt. The main argument (into which we shall not enter here) concerns how each of these countries should be represented and how much autonomy they should have in policy formulation (and indeed in Northern Ireland, it concerns the legitimacy of UK sovereignty itself).

In the case of England there is little recognition of the need for distinctive regional assessments of policy. At the local level councils have reasonably clear responsibilities (although, as explained in the next chapter, their autonomy is under pressure). Local authorities prepare structure plans which theoretically govern development strategy for their own areas.

Between national and local government in England there is a vacuum which has from time to time been partially filled by regional bodies of one kind or another. The most notable experiment of this kind was the setting up in 1964 of regional planning boards made up of the heads of central government departments and local authorities in each region, and advisory regional planning councils. Their role was to prepare planning strategies for each region. Most of these were strategies to accommodate long-term growth in population, employment and economic activity. Since the expected economic growth has not occurred since 1974, the strategies have been more or less ignored by Whitehall departments. The regional boards and councils were abolished last year.

Although policy on the long-term distribution of population and employment between the North and South of Britain can only be resolved at central government level, the other main location issue, namely that of the relationship between urban and rural areas, cannot properly be resolved either at the level of central government or at the local government level. For this purpose the whole of the South must be considered as one region because firms and people originating in London move not only into the outer South-East region but also into the two predominantly rural regions of East Anglia and the South-West. Similarly the East and West Midlands could be seen as one region for planning purposes and the same may be said of Northern England, made up of the North-West, Yorkshire and Humberside and the Northern region.

The purpose of regional planning institutions should be to assess policies of the central government and local authorities as they affect the pattern of development in the region. They should not be obliged simply to work out the details of a nationally-determined conception of how urban-rural relationships should develop. After all, it may be that preservation of large cities has a different priority in the North than in the South or in Scotland. However our purpose here is not to enter the difficult question of how regional institutions should be constituted, nor how far they should have autonomy from national govern-

ment. The main point is that a distinctive critique of regional and subregional policies in relation to the needs of each part of the UK is an essential ingredient for more effective policy-making.

Conclusions

The present weakening of regional policy, together with cuts in government employment, threaten a worsening imbalance of employment opportunities in different parts of the UK, causing increased migration and intensifying concentrations of unemployment. Regional and urban policies for England are not brought together and assessed in relation to the distinctive needs and problems of each part of the country. Interventions are increasingly *ad hoc*, without clear aims and at the same time not adequately differentiated as among types of firms or area. The new concept of enterprise zones is an example of such an *ad hoc* response; the zones are far too small and the incentives offered are not founded on an analysis of the causes of inner-city problems.

The main aims of regional policy must be to reduce involuntary migration and, in conjunction with urban policy, to prevent or reduce heavy local concentrations of unemployment. In recession, selective assistance, factory building and subsidies for new investment will be the most effective general instruments. These measures will not damage the national economy. Their financial cost is a transfer which at most produces a complex redistribution of income within the private sector.

The merit of selective assistance should be that it permits differentiation among types of company. Thus for regional policy purposes the government must bargain with large companies, support local firms and promote the formation of new firms – each task requiring a quite different approach. Moreover selective assistance should follow specific location priorities within each region, eg in favour of inner cities. In the short run the main results of regional and urban policies will depend on their influence on expansion and closure of plants by large firms. But in the long run many declining areas need a reinforced process of foundation of new firms if they are to be made less dependent on continued national subsidies. This may require training and

start-up grants or loans to suitable applicants in areas where the rate of formation of new businesses is low.

The most important policy to attack the causes of inner-city decline is the provision and renovation of factory sites, both to attract new employment and to aid the survival and expansion of existing businesses. To this end the inner areas of the six large conurbations – London, Birmingham, Manchester, Merseyside, Tyneside and Glasgow – should all qualify for selective financial assistance under the Industry Act and receive some priority in the factory building programme. In addition, local authorities in these areas should have greater powers to secure and clear land for factory use.

In the context of an economic recovery, both regional and urban policy could be strengthened by active control of the location of expansion through Industrial Development Certificates.

Finally, whether in the context of recession or recovery, there remains a need, so far never met, for some form of regional institution to assess policies of national and local government, particularly as they affect the South, the Midlands and the North of England.

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