CENTRE *for* ECONOMIC PERFORMANCE

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THE UK's REGIONAL DIVIDE: Can policy make a difference?
Centre for Economic Performance report
#GE2017Economists @CEP_LSE election analysis

Despite numerous efforts to do something about the big variations in economic performance across the cities and regions of the UK, little has been achieved in reducing long-run differences. Some Northern cities (such as Manchester) are doing well, but London and the South East continue to dominate in terms of population growth and private sector employment.

The limited progress on tackling the UK's regional divide is unsurprising: the economic processes that drive spatial differences are poorly understood by policy-makers, and evidence has historically played little part in the formulation of policy. While this is slowly changing, there remains confusion about what urban and regional policy can do, a confusion that is shared by all political parties.

These are among the conclusions of a new report from the **Centre for Economic Performance** (CEP) – the latest in a series of background briefings on key policy issues in the June 2017 UK general election. Among the findings:

- There are large variations in economic performance across the cities and regions of the UK and, on some measures, they have widened since the global financial crisis. All the party manifestos promise action to reduce them, but there is little difference between them in terms of the policies that they would pursue to meet this objective.

- The traditional policy mix – central government investments in local growth projects, transport and other infrastructure, funding for business support and access to finance, and a host of other interventions – has not been effective.

- Greater local control is needed to improve policy effectiveness. The government has signed a number of devolution deals and city mayors have just been elected in areas with these deals.

- It is too early to assess the effectiveness of devolution deals, but any new government will need to decide whether to support further devolution. When devolving powers, it is important that policies that have wide scale impacts (such as transport and housing) are coordinated across local areas.

- Greater experimentation at the local level combined with effective evaluation would help improve policy, but this is highly unlikely given the short-term political focus on being seen to 'do something', which favours the announcement of new projects over the long-term development of policy effectiveness.

- London's strong economic performance plays a large part in explaining widening disparities. Providing an effective counter-balance to London may require policy aimed at 'rebalancing' to be more spatially focused – for example, on Manchester.

- We ultimately care about the effect of policies on people more than on places. Efforts to rebalance the economy should be judged on the extent to which they improve opportunities for all, rather than whether they narrow the gap between particular places.

Professor **Henry Overman**, co-author of the report, comments:

> 'The manifestos of the main parties the 2017 election campaign reflect the continuing urge that politicians feel to try to do something about the UK's regional divide without any real understanding of what drives the differences in performance or what policies might be effective.'

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Notes for editors:

'The UK's Regional Divide: Can Policy Make a Difference?' by Henry Overman is the latest in CEP's #GE2017Economists series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the June 2017 UK General Election.

This series discusses the research evidence on some of the UK's key policy battlegrounds, including education, health, immigration, industrial strategy, living standards, regional policy and Brexit.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

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