Leeds University Business School – Research and Innovation Podcast

Speakers: Professor Alice Owen, Felix Kumi-Ampofo and Professor Gary Dymski
Episode: Building regional economies that work for everyone – now and in the future

[00:00:05] **Alice:** Welcome to this Research and Innovation podcast, where we're asking "what does successful regional economy look like if it's inclusive and it's fit for the future?"

We need to start by saying who we are and why we're interested in this topic of regional economic development. Let me start. I'm Professor Alice Owen. I'm director of the Sustainability Research Institute here at the University of Leeds, and I'm interested in regional economic development, in part because of my career before doing a PhD and entering the academy. I worked in the very early days of the former regional development agency, Yorkshire Forward.

[00:00:50] **Felix:** And I'm Felix Kumi-Ampofo. I'm director of the West Yorkshire Combined Authority, and I'm responsible for inclusive economy, skills and culture. So the subject matter for today is something I've been... I've spent most of my career working on how we work at local and regional level, working with partners nationally to develop our economy.

[00:01:15] **Gary:** And I'm Professor Gary Dymski from Leeds University Business School. I'm a Professor of Applied Economics, and since the pandemic, I've been working on a couple of projects that pertain to regional wellbeing, sustainability and development, with some attention to questions of economy as well. So that's been a very intensive recent involvement.

[00:01:43] **Alice:** Great. Now, we're recording this on the day of local elections in England and government elections in Scotland and Wales. So while there aren't any mayoral elections affecting us today in West Yorkshire, it does feel like this topic of how we shape development at the city and at the regional level is particularly topical right now.

Our conversation today is prompted by some research that Gary and I did in collaboration with Ian Docherty at the University of Stirling, and funded by the Innovation and Research Caucus, which is in turn supported by Innovate UK and the Economics and Social Research Council. And our project, dubbed "Metro Central", allowed us to speak to a range of people who've been really deeply involved in regional economic development across the UK over the last 40 years or so.

And we asked about, what can be achieved below the national level, and how, how feasible it is to align what happens, air quotes, "on the ground" with national government's policy missions. Our touchstone, I think, it's fair to say as we carried out the research was, it sounds a bit flippant, but it's really helpful to have in mind, we were asking ourselves, "If Manchester's the answer, what exactly is the question?"

So it's been a really interesting process and, and back in mid-March, Tom Riordan, who is the Treasury's Envoy for Northern Growth - fab job title - spoke at the launch of our research briefing about the project, which was the day before the chancellor gave something called the Mais Lecture at Bayes Business School.

So, that's our context.

[00:03:43] **Gary:** And Felix, that day we were all waiting to see what the chancellor was going to say on a number of topics, economic strategy generally, but in particular we were waiting for, to hear what she might say about regional economic development in England. So, what do the chancellor's plans look like from where you are sitting at the heart of one of the mayoral authorities?

[00:04:09] **Felix:** The chancellor's speech was really pivotal. It marks quite a key moment in this country's devolution journey. She focused on a number of areas. She focused a lot of her lecture on the changes the government is making around land and planning, around pension reform and, you know, injecting capital into our economy – what the government is looking to do to help build more homes, et cetera.

But for us in the combined authority, what was really interesting, are the points she made around fiscal devolution. So Alice and I worked together at Yorkshire Forward many moons ago, and we spent a lot of our time there engaging with government and encouraging government to give us something called “the single pot” back at the time, which was simply our idea of, you know, “don't give us little bits of money here and there to do, you know, one thing or the other. Give us one pot, and we would use that to deliver a regional program of activities to grow the economy”. It took us a long time together and just as we got there, the regional development agencies were abolished in 2010 by the coalition government, and we started this all over again. Local enterprise partnerships were set up, and then combined authorities were set up.

And this, this country's experimentation with local and regional, especially regional development, just keeps rolling on. And since combined authorities were set up, that idea of a single pot, of a single budget, of single settlement as we call it now, came back on the agenda.

But that again, and we've - West Yorkshire Combined Authority - have just gone through that, and we've agreed a single settlement, integrated settlement with government, and signed on the dotted line for the, for this spending review period, which is the next three years or so. But all of that is predicated on us working with several government departments, with one anchor partner - the Ministry of Communities - and Local Government.

But engaging with several government departments, agreeing a set of outcomes and outputs and targets, and then a sum of money follows that, all of that bundled together into one pot, which is given to us. But so even though that is incredibly sort of, it is great and a big leap forward compared to where we were before, it's really, in essence, still not a single pot because all you've done is you've agreed a set of individual packages with different government departments together, put together into one, big sum of money.

And even though we have flexibility to deliver a bit more of this, a bit more of that, overall, we are still being held to the whole package and, and everything that we've signed up to. Fiscal devolution, I think, when done well, allows the combined authorities to receive a single block grant from Parliament, from the government in power, not from individual government departments, but from the central government.

It also gives us the levers to be able to raise funding ourselves locally. So a mayor and our local politicians could then decide to put a precept up or whatever form of taxation for fundraising,

that they might feel is necessary to raise funding, and that gives them the freedom and the flexibility to apply that funding, to invest that funding, to deliver local plans, regional plans that may have been agreed locally.

So you can see how that, the journey we've been on from having individual pots of funding and then something akin to a single pot, but not really that, but stillan improved situation, the single settlement that we currently have. But true fiscal devolution where we are able to get into a conversation with government and reach a settlement on a block grant, as a pot that is not cut up by different departments and what *they* need, and so that locally and at this regional level, we're able to actually determine what our priorities are, which we do already, but it's difficult to apply that, when the funding comes with different conditions. So that, that was at the heart of what the Chancellor was saying, and that was really, really important.

However, the period ahead of us is going to be very difficult. It's going to be very challenging. We need to grasp this. We should not shirk and say because it's difficult, you know - we need to grasp this and get through the difficulty and get to the other side where we have an agreement because it's the only way true devolution will mature in the local British politics or English politics and economic development scene.

And it just entrenches that decision-making and investment powers at a local and regional level, which is what we've all been calling for.

So for us, that is what was at the heart of, of the Mais lecture, and it marks quite the difference. There's a lot of work to do now because the conversation's underway around what kind of taxation are we going to use. Is it income tax? Is it national insurance? Is it a cut of this, a cut of that, business rates, et cetera? These are important questions. Are you going to tax based on where people live or where people work? And how do you draw the boundaries around that? These are difficult things. None of that is easy.

We completely accept that, but we need to work together and get through that to the other side. The first thing on the table right now is the overnight visitor levy, which is very common in Europe and in many other places. You're checking into a hotel, and you pay a small tax on top of your rate.

There's a conversation now, active conversation, there's been consultation, and we're moving towards having something like that here in the UK. And that will be really our first go at fiscal devolution. But there's a lot more to come. It's really exciting, and it marks quite a difference.

We've been talking about this for a long time. And how do you measure success when you've got this increased fiscal responsibility, but also increased freedoms and flexibilities to be able to apply to your local area? There's a lot of literature, and I'm going to go to Alice in a second, but I'm really interested in your thoughts.

When you and I worked at Yorkshire Forward, we were talking about is GDP the right way to measure how successful some of these partners are or not? What does sustainability mean? What does sustainable growth mean in some of our places? And I wonder how your thoughts have been shaped over the period.

[00:11:18] **Alice:** Oh, thanks, Felix. I have to say, it's really encouraging… to hear you kind of see this as an opportunity, I mean, without underestimating the challenges. And I was … when you were talking about fiscal devolution and the kind of single pot arena, I think one of the big challenges is there's a kind of largely unwritten contract that needs to become a written contract around what are regions meant to deliver for national government, and that's where what you, where you just finished around how do we measure regional economic success, is a huge challenge. We've been critiquing gross domestic product for a very long time. I was privileged to be on the UK Sustainable Development Commission from 2005 through 2011, and we looked at indexes and baskets of indicators, but they overcomplicate things rather than direct attention.

And we've also been grappling with the idea of gross value added, GVA, and how do you actually understand that at a regional level? So, I think the whole business about what we are aiming for and what we want to achieve and how we describe that is one of the big, big challenges.

In terms of sustainability in the regional economic picture, I mean, when I was first involved, which was 2001, we were only starting to appreciate that the previous patterns of energy use and energy generation weren't going to be the things that made our region successful in the future.

And we were also starting to appreciate that green space and nature were being damaged at an accelerating rate, and we had to find a way to value those things if they were going to be part of our future in the region. So that's why the question that I was asking then, and I find myself still asking, is “what does success look like?”

If it doesn't look like the middle of the 20th century- What does it look like and where are we going? And, the other phrase you mentioned there was, inclusive, I think inclusive growth. And, for me, inclusive growth is a bit like the constructive sibling of much-maligned equality, diversity, and inclusion work in that it's asking how do we get more people involved in success?

But again, that comes back to our vision of success has to be less about the new and the shiny and the conventional and the buildings that you can cut ribbons on, and it must, needs to be much more solid, much more diverse and rooted in actually who we are and where we are. So, I guess those themes about sustainability and inclusive growth still remain pretty marginal, if I'm honest, and certainly the research, the Metro Central Project found that.

I mean, nobody actually is deliberately out to trash the planet. Nobody really says they want to pull up the drawbridge after them and make sure the people who come after don't get privileges. But structurally, that's the effect of what we're doing often with economic development. And in a weird way, I think the climate emergency, which means the issues of carbon emissions are really high profile, are not always the most helpful way in, because carbon emissions are super difficult to connect to individual lifestyles, and the best way we have of understanding carbon emissions is relating them to how much money we've spent.

So if you have more economic activity, you tend to have a higher carbon emissions, and that doesn't really solve the problem. So, you know, climate is a really important issue, but only one part of the branch that we're sitting on, and the branch that we seem to be sawing off.

So, I think these are still marginal issues. We've still got a long way to go, but I'd absolutely echo what you said earlier about the constant chopping and changing of the mechanisms and how we organize ourselves to do an economic development below the national level. You mentioned several. We've got regions, and we've got districts, and we've got counties, and we've got combined authorities. We've got RDAs, LEPs. I mean, alphabet soup doesn't start to cover it, right? So that constant change, I think, is a problem because it just makes it more difficult to develop the strong foundation.

Anyway, we're in danger of just rehearsing all the problems, and you gave us actually a challenge to rise to. I think the other thing we could do is draw on Gary's experience here. Beause Gary, you've got this, this long history of being involved in city and in state economic development in the US, so- what would you offer as your perspective on the approach we take in England? Maybe first around how we actually do go about justifying and unlocking enough resources to do what regions do. How does that compare with what you've seen happen in the States?

[00:16:38] **Gary:** Yeah. I've been involved as a staff director for the Democrats in the Senate in the state of Indiana, and then I founded the University of California's Policy Center in Sacramento, so two quite different states. Very red and very blue, using US terminology.

What we see in the US, first of all, are very well-defined, stable geographic boundaries amongst, at the different levels of government, with very locked in agendas in terms of which issues shall be dealt with by which entities. So that in some sense there is... And now, the games are played, for example, you'll see that there will be sometimes a city with a unified property tax base, and, they'll, everyone there will be able to share. In other cases, you'll see a city centre where there will be suburbs around it that have incorporated separately, keeping their property taxes and so on.

And so there's... And of course, many of these things can be racialised. They can be, they can reflect older and younger populations, declining industrial inner cores versus, you know, sort of businesses that have moved out to the suburbs, et cetera. So there's lots of rivalries locked into a fixed structure of who does does what with that money.

So it's, it's a kind of forum for competition, at the level of first, localities within a given region or state, and then in addition, competition between states. You may have read recently about many company headquarters moving from California to Texas. Texas now has a very libertarian, MAGA style government in power, and California is proudly, progressively, and, you know, taxing its people.

They have the most progressive income tax in the country, and it's considerable. The consequences that California had been able to build up a substantial share of public resources and programs, now under threat because of this mobility problem.

So the first thing is that there's...The US set up is one where everybody knows the rules, but the rules allow the different partners in these races, in these spaces, to fight with each other over who gets what, and these are not fair fights. And so, sometimes, inequalities, for example, inequalities in educational curricula are locked into the spaces where people live.

In California, one of the big issues that we confronted was school financing, was so different because there... Yes, there were equalizing grants provided by the federal government, but those were squeezed over time. And actually it was largely property tax base. So working class and, you know, largely immigrant communities, like say Pico Rivera in Los Angeles County, would be starving for enough money to fund their schools properly, often unable to offer the courses that would allow their students to-- Well, here you'd say modules, to get into, to qualify for the University of California.

So there were, there were serious battles that were fought under the sur-- a tranquil surface.

The second thing about it was that the consequence... Now, keep in mind, in the US, close to half of the revenue raised by government is raised at the state and local level. So the state level politics w- and, and the politics of influence and lobbying and all of that would be intense.

And of course, there would be political games played with that. Now- by contrast, let's just go to the federal level for a minute - the federal government, when we go back to the 1960s, you know, the war on poverty and some of the programs there, those were what we called categorical programs, which Felix has just mentioned as a characteristic here.

And this is where the federal government would decide that there were certain things that were important and should be protected. And one of those, for example, was welfare for certain qualifying categories of households - women raising families on their own, for example. AFDC, was a classic example, but if there was an intact family, they might get nothing. So it was a categorical decision on who was deserving and undeserving. Very famous work about the deserving and undeserving poor.

So the thing is that over time, they would-- that also applied to housing programs, to job training programs, to criminal justice assistance programs - Over time, especially once President Nixon came in in the '70s into the '80s, basically these were turned into block grants with more choice. But then when we get into the Reagan years, you get into basically the idea that there's less to do. Government should step back. We enter there the neoliberal period, and those grants are cut back. The block grants had been originally, done with expectations that we would see criteria to be met. You know, let's make sure that there's so much affordable housing for that community development block grant. But that was eased and cut over time. So, once we then get into the Clinton era, Clinton really went with that same program of basically simplifying. In fact, it was, Bill Clinton who ended “welfare as we know it”.

And, and so there were some, there were some... that's part of the problem of the legacy of the Clinton administration, which runs right through Obama, which is that there was a contraction of these protections offered by the state. The fact that there was such a weak response in the US to the great financial crisis was one reason why the Obamacare, the big health reform, was partially unsuccessful, leading to the feeling of abandonment that then gives you Donald Trump.

So in some sense, there's this kind of complicated story where the federal government is now more and more remote. Weirdly, with Donald Trump, I'll finish by saying, what we're seeing there is this attempt to assert the national control. The attack, for example, on the strong environmental protections that are put forward at the state level by some, you know, supported by a federal level environmental protection agency - that's something that's very, you know,

characteristic of a government that is not afraid to be authoritarian and to ignore the laws to try to actually step in and to disempower the states in a direction that is antithetical to welfare and wellbeing.

[00:24:06] **Alice:** Wow. Okay, thank you, Gary. I wasn't expecting a full survey of US economic history of the last 100 years so, so succinctly and so interestingly.

I'm not going to do that justice, but I am going to kind of pick up on the point that you were making about that relation between the national government approach and what states or cities are asked to do. And at our much smaller scale, perhaps I can just come back to, to Felix with- Wow. If you're sitting in West Yorkshire, what do the pressures from national government to help them deliver on their plan, you know, how does that, how does that impact on you and what you think needs to be done in West Yorkshire?

[00:24:54] **Felix:** Yeah, it's really fascinating, and there are parts if you're in the UK looking elsewhere, you think, "Oh, well, I wish we had some of that tension playing out," at least it's a sign of local autonomy and how that brushes against sort of federal... the role of the federal government.

We do have that to an extent here, but obviously we all know the UK is one of the most centralized nations in, at least in the developed world. And what we have in the UK is a bit of both, so... and we need to be really interesting. We, we need to be really clear-eyed about this. National politicians are elected on a national manifesto to deliver, you know, nationally on that agenda.

And so they do have a mandate, they do have a legitimate mandate when they come in to say, "We need to do A or B or C because that is what we campaigned on, that is what we committed to, that is what we've promised the electorate." What you find then is that regional authorities like ours sometimes can be seen by some as the delivery arm of central government.

That is not really devolution. That is a commissioning role that we are then given. And I don't, I don't mean that pejoratively. And we definitely can have a role in doing that, in playing, you know, in supporting national development agenda, and we do that. So there are many a times in some, a lot of the programs, some of the programs that we deliver, which will be simply coming down from...

We have one called Connect to Work right now supporting people who are out of work, largely for health reasons, et cetera, economically inactive, and we support them to come. And this is a national program, and we have very, very little flexibility, almost zero flexibility, in rolling, in how we roll that out. The formula, the policy methods, the structure is all set nationally. At the same time, we have a local growth plan in West Yorkshire. Ours was approved at the end of 2024, and we've spent the period between then and now getting delivery plans, et cetera, into place, and we're now on with the delivery of that.

Those are locally determined priorities and interventions. But it comes back to what I was saying earlier on- Even when we've set them up, we rely on funding from central government, and those pots of cash will then come with, you know, certain conditions, et cetera, attached to them, and we need to work with it, with that.

As I said earlier on, that is beginning to shift with the different funding settlements that we've got. So you will always have that tension, and organisations like ours will always have a role in supporting the government in power to deliver its national manifesto where that meets our remit. The government obviously have other delivery arms that it relies on.

There is also a difference because some parts of central government have their own direct delivery arms, like the Department for Work and Pensions. They've got job centres, et cetera. So when they come up with policies, they're able to funnel them through that and deliver. Others don't, and so they rely on organisations like ours to do it.

You do sometimes get the bizarre situation where locally determined priorities can rub against some, some of the national and delivery can get a bit fraught. But by and large, we... our job at this level is to convene the key partners to make sure we have a good understanding of the resources we've got, the challenges we've got, and how we make that work in terms of the solutions, in some of our key places.

So, I hope that is, that is helpful, but it's really- Yeah ... really interesting to see how that works in other, in other places.

[00:29:02] **Alice:** Absolutely. You know what, Felix? You've just given us a brilliantly pragmatic point there about, you know, the reality that you're working within, and the point about, well, “we convene the partners, and then we do our best”, is actually, I think, an appropriate place for us to wrap things up here. And I guess we're also... well, we could carry on for a very long time. We're probably out of time in terms of listener capacity.

Thank you so much to both of you for taking the time to talk about this topic. If anybody listening would like to find out more, you can access our research report and the briefing through the webpages of the Leeds University Business School and the Innovation Research Caucus.

Links will, of course, be in the show notes. Thanks so much for joining us, and goodbye.

[00:29:57] **Gary:** Thanks, everyone. Bye-bye