

**CLG Framework:
Economic Rationale for Spatial Policies
or 'Why Place Matters'**

For NCRA Panel

Comments from Ivan Turok

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Purpose

The purpose of this note is to review and respond to the CLG framework on ‘why place matters’, including suggestions for how it might be developed further.

Introduction

The framework is an ambitious attempt to articulate the rationale for spatial policies in England, ranging from neighbourhood to region. Starting from first principles, it develops a series of arguments and synthesises evidence about the purpose and scope of place-based policies. It focuses particularly on the role of DCLG, the ‘Department of Place’.

There are three sections to the framework:

- Why we need to understand place
- How place matters
- What place means for policies

These are interesting and important questions, although there is some ambiguity about who the “we” is and “for whom” place matters. The assumption here is that the “we” is essentially DCLG, although there are of course many other potential interested parties. I return to the “for whom” issue in the final section.

This note follows the same three-fold structure for ease of cross-referencing. It begins each section by briefly summarising the arguments and then offers comments on the gaps in analysis and suggestions for extension. The final section also provides some broader reflections and constructive suggestions.

1. Why we need to understand place

There are three main propositions in this section of the framework:

- (i) At one level, place needs to be understood because economic conditions and the quality of life vary greatly between different parts of England. There is a basic (political) imperative to respond to this diversity with differentiated policies.
- (ii) However, these inequalities arise partly because of differences in social composition (e.g. more non-whites in deprived areas and more skilled people in prosperous areas). Hence, place-based policies need to be more sophisticated and recognise that people factors interact with place factors. The appropriate mix of people and place policies is unclear, but some spatial disparities might be addressed more effectively by people-focused policies (e.g. raising skills, tackling discrimination).
- (iii) DCLG needs to take the lead on developing this understanding and demonstrate why and how other government policies should be more sensitive to place.

Comments on this analysis:

- (i) This analysis is sound as far as it goes, although a bit limiting. Place is about much more than spatial inequalities. The English economy and society are, in effect, the sum of what happens in different places. The prosperity and cohesion of the nation therefore depend on how England functions as a series of places. The rationale for place-based policies should therefore reflect something about the **holistic nature of place** – where a whole range of actors, institutions and relationships come together to promote prosperity or poverty.
- (ii) The **interaction between people and place** factors is complicated and not readily amenable to arithmetic separation (X% due to place factors and Y% due to people factors). Poverty is a multi-dimensional phenomenon with a range of structural and proximate causes that are not readily disentangled. The evidence base is fragmented and inconsistent and does not permit a simple assignment of causation between people factors and place factors. There is also a life course dimension not mentioned in the framework.
- (iii) **Economic structure** (industrial sector and occupation/function) is a third variable that influences geographical inequality and poverty, besides people and place. This exerts a significant independent effect on economic and social conditions in different places. It also interacts with people and place factors. Some towns and cities in England (such as Stoke, Leicester and Medway) have stood still over the last decade because they are over-represented in declining sectors and have not been successful at attracting expanding activities.

2. How place matters

There are four main propositions in this section of the framework:

- (i) Place matters because it affects peoples' life chances and quality of life – it is worse to be poor in a very deprived area than in a less deprived area.
- (ii) Many poor people trapped in deprived areas and cannot easily move or commute to places where there are more opportunities.
- (iii) Place is a source of competitive advantage that is increasingly important in a more mobile world – it enhances economic performance through local physical, human and social assets.
- (iv) Place enables efficient targeting of concentrated problems and coordination of different policies.

Comments:

- (i) This is generally sound, although they could be reordered so that the three 'problem area' arguments come together. The competitive advantage argument is quite different in nature. It could be expanded to include **consumer amenities**, cultural facilities and indeed **institutions** (such as universities) that help to attract and retain human capital, regional consumer spending and tourism. There are some additional arguments that could be made
- (ii) **Physical functionality**: Place is the arena in which much business is conducted, information and resources circulate and people live their lives. For example, city-regions reflect labour and housing markets, retail and entertainment catchments, transport networks, migration patterns, business movements and trade flows. If they don't function well in a physical sense the capacity constraints, bottlenecks, unreliability and distortions accumulate, adding to business and personal costs (i.e. inflationary), reducing productivity and undermining investment and household location decisions. Hence policy needs to be based on a sound understanding of the local situation – responsive and relevant to specific local circumstances. Knowledge

of place is important for solving physical infrastructure problems and exploiting development opportunities – releasing the potential of place.

- (iii) Place is also important for **environmental** reasons – poor integration of land-use and transport policy decisions can add to disproportionate carbon emissions, energy consumption and congestion through poorly located development and deficient transport investment (e.g. causing longer distance car-based commuting). Arguments about the importance of the public realm for the ‘quality of place’ are also relevant.
- (iv) The argument about policy targeting goes beyond the delivery of extra resources to poor communities. It is also about a more **creative problem-solving** approach, not operating in silos but understanding the complex multi-dimensional causes of deep-seated social and economic problems and working together across various policy interfaces (sharing information, skills and resources) to **prevent** as well as cure and treat them to achieve real, lasting change.
- (v) The argument could also be extended to say that local decision-making improves the **feedback** loop from service delivery to policy design and increases local accountability.
- (vi) The argument about **policy coordination** has broader application beyond deprived areas. It also applies more generally to labour market policy (coordinating supply side programmes and demand side measures), policies towards families and young children (linking social care, health, child care, etc), education policy (addressing transitions between pre-school, school, college and the labour market), etc.
- (vii) Place is also important for **achieving equitable outcomes** from mainstream public services. The utilisation of public services and satisfaction with service quality varies between places for a variety of reasons (e.g. lower take-up of university education from poorer communities). Some public services also experience greater pressure in poorer communities, so may face higher costs of delivery (e.g. keeping public spaces clean) or find staff recruitment and retention more difficult (e.g. GP surgeries or teachers). Hence mainstream policies may need to compensate such areas with additional financial support or extra services to achieve a level playing field.
- (viii) It may be worth distinguishing between poor communities in a relative sense (e.g. the most deprived 10% of neighbourhoods) and a smaller proportion of these places (or whole towns) that are clearly ‘failing’ in an absolute sense with a set of linked circumstances (physical, economic, institutional?) and a momentum (‘a spiral of decline’) that clearly warrant special/exceptional intervention because they clearly cannot address their predicament on their own. This is a different rationale from equity or market failure.

3. What place means for policies

There are five main propositions in this section of the framework:

- (i) Government should intervene where there are market or government failures, not merely because of the existence of spatial inequalities.
- (ii) Government may also intervene on the grounds of equity if people are disadvantaged by where they live and trapped.
- (iii) Government may also intervene on environmental grounds, e.g. derelict and contaminated land or congestion.
- (iv) Policies should be tailored to places where it is appropriate to do so. This is not inevitable since there are also reasons for not decentralising.
- (v) Some spatial policies should be determined at neighbourhood level, others at local authority level and others at city-region or regional scales. The Department for Place has a role in coordinating across areas.

Comments:

- (i) This section is more ambiguous and generally less convincing than the others. The arguments are not expressed very clearly and there appear to be some inconsistencies, if not contradictions, between them.
- (ii) The relationship between the **efficiency and equity** rationales (i and ii), and their relative importance, are unclear. The equity argument could easily override the market failure argument.
- (iii) There are questions about whether market failure is a sufficient or suitable rationale for spatial policies. At the very least it needs elaboration to draw out (i) the degree of market failure – modest or severe, and (ii) the specific form of market failure – externalities, public goods, lack of information, risk aversion, etc.
- (iv) The same points apply to the notion of government failure.
- (v) There is an underlying reluctance to support place-based policies, and almost a prejudice against decentralisation. There is insufficient recognition of the **value of local knowledge** and understanding, of the benefits of local problem-solving and realising local opportunities. Some of the earlier arguments for place-based policies appear to have been forgotten.
- (vi) The implicit view of place is passive and physical, rather than a more **active perspective** involving identifying underused resources, developing assets, unlocking potential, sharing information, matching skills and capabilities, and mutual learning. The policy model is essentially about compensating poorer places, rather than a developmental approach. Places are essentially recipients of government support, not agencies that have some influence over their own destinies.

4. What role for the Department of Place?

The framework concludes by stating that the DCLG has four roles: leadership of analysis, policy development (including capacity building), broader spatial policy across government, and coordination (vertical and horizontal – across government and to regional and local tiers).

This is sound and non-contentious. There is a fifth possibility worth debating: DCLG could also be the department responsible for promoting decentralisation and devolution, where appropriate.

5. Broader reflections

- (i) The framework should say more upfront about the **objectives** of spatial policies. What is DCLG trying to achieve? This is partly about the balance between the economic and social objectives of spatial policy. There are tensions between them that the framework does not mention. The economic objectives could also be broadened beyond productivity and efficiency to include (i) innovation and creativity (creating new ideas, products, processes and services) and (ii) balanced development (and avoidance of overheating in some places) in the interests of stability and long-term sustainability. The social objectives could be broadened beyond inequalities to include positive relationships (tolerance and respect of diverse cultures and lifestyles), social order (preventing conflict) and social integration. It might also refer a little more to environmental objectives (urban form affects energy consumption). And it is currently completely silent on governance objectives (supporting local participation, sense of inclusion, identity/place attachment, responsibility/ownership, democracy).
- (ii) The **concept of 'place'** is nowhere defined. Is this an administrative or functional entity? Is it essentially about urban settlements? There is an obvious point about scale – neighbourhoods are quite different entities from cities, and cities are not the same as regions. They have different land-use characteristics, but also different

population sizes and densities. The friction of distance is important. Proximity, externalities and spillovers (positive and negative) mean different things at different scales. Issues of displacement and leakage from area-based policies are neglected in the framework. They are more important at smaller than larger scales.

- (iii) Place is not just a discrete physical entity or container of assets, resources, activities and interactions. **Places are open systems** that interact and overlap with other places. Understanding a place is partly about its position in wider networks and flows of information, finance, trade, ideas and population. Some places are better connected than others and better placed to capture and hold down flows. Flows can create tensions and problems as well as opportunities. Places also perform different functions within these wider systems (e.g. London vs Leeds vs Barnsley).
- (iv) The assumption in the framework is that places essentially compete with other places. The potential for places to **cooperate** with each other for mutual benefit could be made more explicit (e.g. within city-regions, or the Northern Way).
- (v) Place means different things and matters in different ways for **different social groups**. Highly educated, high-income sections of the population are more mobile than poorer groups and have a different attitude to place. University students' relationships to place are quite different to other young people. 'Place' for immigrant communities may well include strong links with their places of origin.
- (vi) Place also means different things for different sections of the **private sector**. Small independent firms are more dependent on local resources, information and markets than large multi-plant or multinational companies.

Conclusion

The Framework is an ambitious and worthwhile attempt to articulate the rationale for spatial policies. It is worth debating whether its scope should be broadened to include:

- (i) A more holistic concept of place, reflecting complex internal and external economic and social interactions.
- (ii) A more active concept of place, reflecting the dynamic, problem-solving capabilities of local public, private and community actors.
- (iii) A more positive economic rationale – facilitating development rather than responding to market failure.
- (iv) A more prominent physical and environmental dimension to place policy.
- (v) Greater clarity about the basic objectives of spatial policy and who it is for.
- (vi) Being more positive about the merits of decentralising decision-making where this is warranted.

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