

ECONOMIC PLANNING FOR CITIES

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Summary

The main purpose of this thesis is to explore an idea which could have important and far-reaching effects on urban policy. It is the idea - relatively new, underdeveloped, and largely untried - of local economic planning and its application to alleviating urban problems. In short, it is the idea of economic planning for cities. The reasons for this inquiry, for exploring and developing the idea, are that it casts new light on both the theory and practice of urban planning, that it advances some aspects of the theory of planning and social policy, and that it suggests and investigates new instruments of public policy, new ways of tackling social problems in our towns and cities.

The exploration takes the following route. We start by defining and describing carefully the idea of local economic planning (chapter 2), then we investigate its possible uses for tackling urban problems (chapter 3) and its probable usefulness for and contribution to urban planning (chapter 4). Chapter 5 examines the weaknesses and limitations of local economic planning.

Next we explore three avenues along which we would have to travel if it were decided to practise local economic planning more widely. First (chapter 6) we investigate the state of theories in local economic planning: what practice could they support? Second (chapter 7) we investigate organisational issues: should local economic planning be a central or local government responsibility, and how should it be organised within the chosen level of government? Third (chapter 9) we investigate whether an extension of local economic planning would require more legal powers and, if so, how they should be created.

Then we stop exploring new territory and retrace our steps to illustrate some of our earlier findings by using case studies from the Lambeth Inner Area Study (chapter 9) and the Birmingham Comprehensive Community Programme (chapter 10).

In chapter 11 we summarise the findings of our exploration and the state to which we have developed and advanced the idea of local economic planning. We do that by deriving, from our investigations in the previous chapters, guidelines for the practice of local economic planning: if it were decided to extend such practice, we recommend that the practice should follow those guidelines. The implications of those guidelines for new planning powers are illustrated in chapter 12, with suggestions for four new local economic powers. Finally, in chapter 13, we look 5 or 10 years into the future to see how urban planning might be changed by the wider practice of local economic planning.

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Chapter 1

INTRODUCTION

My purpose in writing this report is to explore an idea for social policy in our towns and cities. The idea is that a relatively new and unused instrument of social policy, which I call "local economic planning", could be used more widely to tackle some of our current and pressing urban problems. In this introduction I first describe, with some autobiographical detail, how the idea came to me. Then is explained why I think the idea is useful and deserves exploring further, for it is still poorly developed, as we describe. Some important implications of the idea are then described, implications which affect our approach to the process of urban planning. Next we describe briefly the theory of planning which provides a framework for the exploration. That is followed by a description and explanation of the structure of this report - that is, the route which the exploration follows - and then by an extended synopsis of the contents. Finally, in order to define the scope of this study, we describe some avenues which are not explored, and why we have not gone up them.

The growth of the idea

My undergraduate degree is in economics, and I went straight from University into a town planning consultancy. There I was employed as an economist, a specialist contributing to the production of town and regional plans. Later, I became a full-time lecturer, for the first six years teaching students on professional town and country planning courses, but still teaching as an economic specialist.

Those experiences taught me a lot about town and country planning in general and about the economist's contribution to that type of planning in particular. They taught me also that any type of planning must work within the powers available to it, and that town and country planning works primarily through powers over the use made of land and buildings. That limits, inevitably, what can be achieved by town planning.

My undergraduate course instilled in me some knowledge and more interest in national economic planning and macro-economic policy. The fascination with cities that had led me into town planning deepened into a concern for social problems in cities. And the growth of corporate planning in local government during the late 1960's made me recognise that a particular problem can be tackled in a number of different ways, and that town and country planning is only one way of trying to alleviate social problems in cities. Those strands I wove into an idea as follows.

Town planning is intrinsically limited in its attack on social problems by the nature of its powers: it is, essentially, physical planning and there must be no presumption that physical planning powers can be used

to achieve everything. It occurred to me that some of the theories and tools of national economic planning might be adapted for application to cities, as an alternative way of tackling the very great social problems there.

That is the idea of "local economic planning" which I develop and examine in this report.

The value of the idea

As I explored further the idea of local economic planning I found it to be valuable in two ways. Theoretically, it was a useful "synthesising concept": it suggested new ways of looking at and bringing together existing ideas about urban problems and actions to alleviate them. Practically, it suggested new actions, new ways to tackle urban problems: the idea suggested new ways of using existing powers, and it suggested certain new powers that would be useful.

(i) As a synthesising concept, the idea of local economic planning is useful because it focusses attention on the powers which governments (central and local) can wield in order to improve conditions in cities. Without powers, the planners are helpless and useless: they have no way of putting their proposals into action. Too often, planning theorists have written about what planners should try to achieve and why, and about the general proposals for reaching those goals, without asking the basic practitioners' question: how can those proposals be implemented? The importance of that question is expressed in two quotations.

"In these War Years we had learned by the hard way of experience some of the essentials of planning:

- that if you want to plan something you must create all the essential instruments for planning it
- that it was no use creating a list of objectives and just hoping that somehow they would come about."

(Robinson, 1967, p.12)

"... few (physical) plans have matched or seriously considered the diversity and complexity of the issues with which they are dealing ... a common defence of (physical) plans is that they must be confined within the range of current powers. But, as Westergaard points out in his comments on the Greater London Development Plan, 'If such powers are inadequate, it is an essential function of planning to say so; to set out the alternatives; and thus, to demonstrate the consequences if new powers are not made available.'." (Simmie, 1971)

By concentrating upon the powers for planning we are led, first, to a new way of classifying types of planning - not only by the goals of the plans, nor by the planning organisation, but by the powers by which the proposals are implemented (see Needham, 1971,b). Economic planning, by our definition, is a variety classified by the measures it uses: and local economic planning applies economic measures to specific small areas. Chapter 2 defines local economic planning more precisely.

Second, a concentration on powers leads us to an appraisal of the effects of applying different types of powers. The appraisal is in two parts: in theory, we predict that a certain type of power will have a certain type of effect; in practice, we ask what have been the effects of applying that type of power. Such an appraisal is made in chapters 3, 4 and 5. With that appraisal we can examine critically the choices of types of planning (specified by the types of powers used) which have been applied in order to tackle certain types of problems.

(The concentration on powers has a third effect - on the way in which we approach the process of urban planning. This is discussed in a later section of this chapter.)

As a synthesising concept, then, the idea of local economic planning helps us to understand better both what has been suggested and what has been done to reduce urban problems.

(ii) Such a theoretical look at urban planning is very interesting academically. But if, like me, you are concerned not just to study urban problems but also to reduce them, you can find important practical implications in that theoretical investigation.

The practical implications are contained in both parts of the theoretical investigation described above. First, by classifying planning according to the powers used, we can write down systematically a set of powers that would all be classified as powers for "local economic planning". Doing that leads us to ask: how many of the local economic powers thus listed are currently available? (see appendix A to chapter 3) and; what other local economic powers on the list might be useful if they were available to planners? (see appendix B to chapter 3).

Second, by appraising the effects of applying different types of planning, we can deduce which types of planning are likely to be most effective in tackling certain types of problems. If we find that some urban problems are being tackled by (e.g.) physical planning when economic planning would probably be more effective (see chapters 3 and 4), the practical implication is clear: apply local economic planning instead, or as well! The study of which local economic powers are currently available (see above) will show whether it would be possible, legally, to apply local economic planning for such purposes. If the necessary powers are not available, then we ask: should new powers for local economic planning be created in order to tackle those urban

problems? (see chapter 8). And we might be led to suggest certain new local economic powers (see chapter 12).

The state of development of the idea

In those ways, the idea of local economic planning was found to be helpful, in that it suggested new and fruitful ways of looking at the theory and practice of urban planning. And what did we find when we looked from that new viewpoint?

(i) If we look at the writings about urban planning, we find that economic planning, as a distinct variety of local planning, has been barely recognised. But we find a growing awareness of the limitations of some more common varieties of planning (see chapter 4) and a recognition of the need to review our planning powers: "we are witnessing, in the 1970's, a reappraisal of the long accepted weapons in the armoury of legislation", says Eversley (1973, p.21). Moreover, we find an increasing number of suggestions for new ways of tackling urban problems, new ways which are examples of local economic planning (see appendix C to chapter 2). However, those new suggestions have not been seen as examples of local economic planning.

So we find some dissatisfaction with existing forms of urban planning, we find some new local economic measures being suggested, but we find very little explicit discussion of the nature, uses, and limitations of local economic planning (an important exception is Andrews 1963a, 1963b, 1964). In other words, we find that the idea of local economic planning has been but poorly developed. It is the aim of this report to develop the idea further, and to provide a framework wherein others may develop it even better.

(ii) If we look at the practice of urban planning, from the viewpoint of our idea of local economic planning, the scene is similarly blurred. We find several types of planning action which are examples of local economic planning; that is, we find economic measures applied locally (see appendix B to chapter 2). But we do not find that the planners have recognised the various actions as being in any way related.

That lack of recognition has had two consequences. First, because the few local economic measures which have been applied have not been seen as examples of a type of planning which can contain a wide range of economic measures, the full scope of actions within local economic planning has not been explored. If it had been, there might by now have been more examples of that type of planning. (The scope of actions within local economic planning is explored in appendices A and B to chapter 3). Second, because the few local economic measures which have been applied have not been seen as being related, the relationship has not been explored. An important part of that relationship is that all economic measures should be based on economic theory, the theory which enables us to predict the consequences of deliberately changing economic variables. (That is the main theory which is used in local economic planning: we study it in chapter 6.) If that relationship had been explored, the common theoretical basis of the economic measures would have been seen, and connections between theory and practice could have been forged. The theory could have been used to suggest better practice, and the practice could have been used to test and improve the theory (see also chapter 6).

In other words, we find that the practice of local economic planning has been but poorly developed.

It is the aim of this report to develop the idea of local economic planning, rather than to recommend that its practice should be extended. Nevertheless, I have become convinced in the course of this work that local economic planning should be practised more widely in the attempt to reduce urban problems; that appropriately applied, it could complement or even replace some of the other types of local planning currently being used for that purpose; and that it could, in the appropriate conditions, be more effective or efficient than some of those other types of local planning. But that is not my argument here. Rather, I state my conviction in order to explain my motivation for writing this report. The aim of this report is to develop the idea of local economic planning, so that others can decide whether it should be used more widely and, if so, how its use might be extended.

How the idea affects the process of urban planning

The idea of local economic planning focusses on the powers which governments can use in order to improve urban conditions, with a particular focus on local economic powers. That focus illuminates certain aspects of urban planning in such a way that we see them in a new light. Earlier we described two such aspects - classifying types of planning, and appraising the effects of planning powers - which influence the way that we think about urban planning. Now we describe four more aspects - identifying powers, identifying problems, evaluating planning, and monitoring problems and policies - which influence the way that we approach the process of urban planning. So, if the use of local economic planning were extended, the focus on local economic powers would influence our whole approach to urban planning in those four ways, as we shall now describe.

i) Identifying powers

Our interest is in planning which is implemented by the use of economic powers - by changing economic variables. Economic variables are defined and classified in chapter 2, but it can be seen already that the definition is not exclusive. In particular, some powers can be regarded as both powers over physical variables and powers over economic variables. For example, land can be regarded as part of the physical environment and as one of the inputs to the economic process of building, factories can be regarded as part of the urban fabric and as one of the inputs to the production process.

We are accustomed to thinking of control over land and factories as a physical planning power: our focus on local economic planning turns our minds to thinking of that control as an economic planning power. Both

thoughts are correct, so we can choose the one which is most helpful in the circumstances. It is unusual to think of control over land as an economic power; but we shall find that unusual thought to be often helpful. Examples are in appendix A to chapter 3 when we list systematically the local economic powers that are available, and in chapter 10 when we investigate the powers available to influence employment locally and how they have been used in Birmingham. Chapter 2 carries forward the discussion of identifying and classifying powers.

ii) Identifying problems

Formulating problems is an art: a problem can be stated incorrectly, but there is no one way of stating it correctly. The art of formulating problems, then, is to express them in such a way that they suggest new solutions.^{*}

The idea of local economic planning is an idea for a new set of solutions. To have available new tools suggests new ways of tackling old problems. More specifically, the idea of using local economic powers for tackling urban problems suggests that we look afresh at those problems to see if they would be amenable to economic measures. Such a fresh look is appropriately made from the viewpoint of economics. In particular, we find that many problems which are usually analysed in physical terms (such as housing problems) can also be analysed in economic terms.^{**}

Whether that alternative (economic) way of formulating the problem is

^{*} Formulating problems fruitfully is part of the "art of the soluble" which Medawar (1967) calls research. Also, in a practical context, formulating problems in ways that suggest new practical solutions requires adequate theory. That is one of the requirements which the practice of local economic planning makes on theory. Whether current theory is adequate is discussed in chapter 6.

^{**} The interaction between the formulation of problems and the analysis of the subject area to which the problems refer is discussed in "Working Party on Environmental Indicators", (1976).

better can be judged only in terms of the solutions it suggests: are new sets of solutions thrown up? are they practicable? how successful have been those which have been implemented?

So the idea of local economic planning suggests new ways of formulating urban problems. Those new formulations should not contradict the older formulations (which are often in physical terms): the old and the new formulations should be complementary, alternative ways of looking at what are, basically, the same problems.

It might be doubted that it is ever possible to discover the basic problems, which can then be expressed in different ways. However, appendix A to chapter 1 argues for a method of formulating a problem in a way that can be taken to be its most basic form: the method is to state the problem in terms of the unacceptable experiences of the people suffering it. The idea of local economic planning suggests that we then analyse that problem (that is, we try to explain it) in economic terms. Chapter 9 illustrates that way of formulating problems: we state some problems in Lambeth first in personal terms, then we try to explain them by economic analysis. Chapter 9 continues by showing how that is a helpful way of formulating a particular set of local problems.

iii) Evaluating planning

The idea of local economic planning, by suggesting new ways of formulating old problems, suggests also new ways of evaluating the actions taken to alleviate those problems. For local problems which might have been expressed in physical terms may now be expressed in economic terms, in terms (for example) of income distribution, of the efficient use of resources, of economic growth.^x For the evaluation of actions taken to

^xFor example, in Britain's industrial location policy (an example of local economic planning, see chapter 5) there is the debate about "trading-off"

change such variables there is a branch of economic theory, viz: welfare economics.

Welfare economics is already used a little in evaluating local physical planning, in the technique of cost-benefit analysis. Local economic planning would probably demand more of welfare economics.

iv) Monitoring urban problems and policies

There is a further consequence of the idea of local economic planning, a consequence which arises from economic ways of formulating urban problems suggested by that idea. For if problems are to be expressed differently, they must be measured differently. So, just as the physical condition of cities is monitored because of the needs of local physical planning, the economic condition of cities would have to be monitored for local economic planning.

The novelty of the idea of local economic planning is reflected in the paucity of data about local economic conditions, especially in comparison with the ready availability of so much data about local physical conditions. Our two case studies illustrate that. In the Lambeth study, we analysed problems in economic terms: but could do that only by carrying out our own special surveys (chapter 9). In the Birmingham study of employment (parts of which are reported in chapter 10) we found a serious lack of data about local employment conditions (sources of data were described in the final report - Needham 1977b - of that study).

In those four ways - identifying powers, identifying problems, evaluating planning, and monitoring urban problems and policies - the idea of local economic planning affects our approach to the process of urban planning.

The theoretical framework for the study

Theories provide explanations, so a theory of local economic planning would provide an explanation of that activity. However, we have just seen that there is no systematic, coherent, or formalised set of activities which could be called local economic planning: so there is nothing for a theory to explain. It is not our aim, therefore, to develop a theory of local economic planning.

Nevertheless, we need some theoretical framework for this study: indeed, we have used parts of such a framework for our discussion above, albeit implicitly. From where can we take an appropriate framework? The answer comes if we regard local economic planning as a particular variety of the more general activity of public planning. For then we can use a general theory of planning as the context for our study of local economic planning.[†] To do that requires that we agree that there is a generic activity of planning, and further that there is a useful and plausible theory of it. Those two points need some discussion.

Bolan (1974) has no doubt that there is a generic activity of planning, which is what goes on "when men plan, whether they are planning cities, wars, or industrial empires". In more detail, planning is "that confluence of human purposes and interest, and that array of activities

[†] We make the now familiar distinction between theories of planning (or procedural theories) and theories in planning (or substantive theories) - see Faludi, 1973. In this section of chapter 1 we are discussing theories of planning. Theories in planning, specifically theories in local economic planning, are the subject of chapter 6.

employing social, economic, and physical resources which alter human affairs, relationships, institutions, and artifacts in accordance with some mutually agreed to, desired, and purposeful goal". A theory of that activity would be "the underlying construct in a general theory of social action". We are not so demanding: we do not need to postulate a generic activity including both public and private planning. Here we are concerned with a theory of public planning only, planning by governments and hence implemented by public powers, for our subject is local economic planning carried out publicly.

By offering a general theory of public planning, Faludi (1973) convinces us that there is such a generic activity. And it is the outlines of his theory of that activity which we adopt for this study. His theory he presents as a "pattern model of explanation", one which "refers to an account which makes sense of an observed event by presenting it as part of a larger whole" (p.22). For our purposes, we want to make sense of local economic planning by presenting it as part of general public planning. Faludi offers the following general account of public planning.

Planning can be understood as rational action undertaken by planning agencies, by analogy with the human mind engaged in operational (purposeful) thinking (Faludi, 1973, chapters 3 and 4: for a further discussion on rational action by planning agencies, see Needham, 1977a, chapter 11). So we can "identify three phases in the operations of a planning agency: the definitions of the problems to be solved; the formulation of a rational programme; implementation of that programme and feedback" (p.82).

That, in barest outline, is Faludi's theory: and that is all of it that we need for the moment, for it offers us the following concepts to use as a framework for our study:

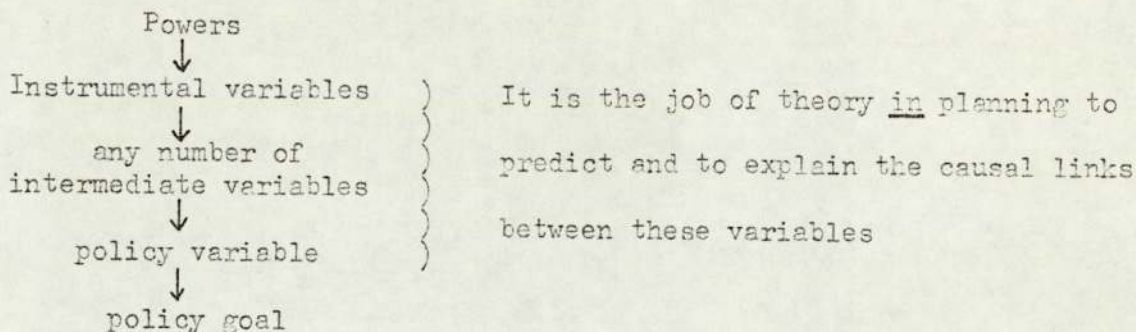
- planning agencies
- undertaking rational action
- in order to solve problems (or to pursue ends)
- by formulating a programme (or choosing means)
- and implementing that programme (by using powers)

There are two important points to be made about that framework before we proceed, both points about the relationship between the ends and the means.

i) The first point is about the terms we shall use. The "ends/means" terminology is taken from Banfield (1959) and used as follows. That which the plan is designed to achieve is the end. Sometimes the same thing is called a "goal" or an "objective". Where the plan is designed to remove an unsatisfactory state, that state is called a problem and the object of the plan is to solve or to alleviate the problem. (A fruitful way of formulating problems is recommended in appendix A to chapter 1. It is the method which we assume in our discussion in Section I and which we use in the two case studies of section III.)

In order to achieve the end, the plan makes certain proposals for action: they are the means or the measures. The proposals are to change something directly (e.g. a land-use) by applying powers (in that case, the laws that enable land to be zoned for specified uses); the powers are tools or instruments. If the purpose of the plan is to alleviate a problem, the means may be called a solution.

The proposals are to use powers to change directly a variable such as land-use zoning. That effect might in turn cause a change in another variable, possibly several more variables, before the end is achieved. That is, there might be a long cause-and-effect chain between the means and the end. It is helpful to talk about that using the terminology of Lipsey (1966).



Let us see how the terminology might be applied to a common means-ends chain in town planning. Suppose the aim is to reduce unemployment in a town by designating land for industry.

<p>POWERS</p> <p>INSTRUMENTAL VARIABLE</p> <p>INTERMEDIATE VARIABLE</p> <p>POLICY VARIABLE</p> <p>POLICY GOAL</p>	<p>zone for industrial use</p> <p>flat well-drained land on outskirts of town</p> <p>the supply of attractive industrial land is increased</p> <p>firms move to the town who would not have done so otherwise</p> <p>demand for labour is higher than it would have been otherwise</p> <p>unemployment is reduced</p>	<p>MEANS</p> <p>↓</p> <p>END</p>
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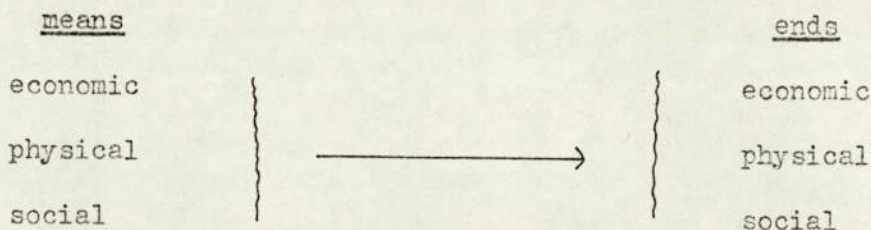
(ii) The second point is about the types of ends which can be pursued by different types of means.

It is useful to distinguish at least three types of means which can be used in planning - economic, physical, and social (see chapter 2). Economic means are when the powers are used to change directly economic variables, such as the price and supply of money, investment grants, road pricing. Physical means are when the variables controlled directly are such as land use, new construction, design of buildings. (Hence, the example above is of physical means, since the instrumental variable is the supply of land. It is true that the demand for labour is another variable which is influenced and that that is an economic variable: but that is affected indirectly and the classification is of the variables which are affected directly.) Social means would include cases when the instrumental variables are welfare and educational measures.

It is possible to make a similar classification of the ends which plans try to achieve, although such a classification is often less helpful than the classification of means. So economic ends would be such as increasing the rate of economic growth, reducing inflation; physical ends would be such as reducing traffic congestion, a more beautiful city, less pollution; social ends might include not endangering a local community spirit, allowing easy social mobility.

The difficulties with that classification of ends are obvious. Is reduced unemployment an economic or a social end? Why do we want a more beautiful city if it is not ultimately for greater social satisfaction? Finally, all ends can be expressed in personal terms which by-pass the classification (see appendix A chapter 1). The reason for introducing the classification of ends is to make the following point - that planners should feel free to use any type of means to pursue any type of end. In other words, it is not necessary to restrict

physical means to tackling physical ends, economic means to economic ends, etc. (Needham, 1971b). The point can be illustrated:



The point is important for the argument of this thesis, which recommends planning by economic means as a way of pursuing a range of ends. (The point is developed in chapters 3 and 4.)

Finally, having been explicit about the words "ends" and "means" in planning, let us do the same for the vexed word "planning" itself.

Whenever we want to refer to the process of proposing means to achieve ends, or solutions to problems, and where the proposals consider more than the immediate future (let us say the time horizon is a year or more), then we shall use the word "planning". This is a very general use of the word, but adequate for our purposes.

Such is the general theory of planning which we adopt and adapt and from which we take the theoretical framework for our study. We need such a framework for each of the three tasks which Faludi (1973, chapter 1) identifies as being the ways in which planning theory can help:

- we want to understand planning, its agencies and procedures. Here we want to understand better local economic planning, its nature, uses, and limitations (chapters 2,3,5).
- we want to compare different forms of planning and transfer experiences from one to the other. Here we want to compare local economic planning with, in particular, local physical planning. The latter is

better understood and more widely practised, so we want to transfer experiences from it to the former (chapters 2, 3, 7, 8).

- we want to design planning agencies and their procedures. Here we want to suggest how local economic planning would be best practised, if it were decided to apply it more widely (chapters 7, 8, 12).

Those are the tasks for which we need a theoretical framework, and a serviceable framework has now been described. Now we go on to use it as the foundation on which the whole of our forthcoming discussion is built.

The structure of the report

The report is written in four sections, sandwiched between this introduction and a concluding chapter.

Section I develops the idea of local economic planning by defining it carefully (chapter 2); exploring its possible uses (chapter 3); and asking whether more applications are needed when there are other varieties of local planning, better developed and already in use (chapter 4). Also, this section explores the limitations of local economic planning (chapter 5) by investigating what theory predicts will be its limits and by a case study of the limits experienced by one of the better developed examples of such planning, namely - Britain's inter-regional location of industry policy.

Section II The general reconnaissance of the idea of local economic planning made in section I reveals some areas which need exploring more carefully. If local economic planning were to be applied more widely, many issues would have to be resolved first, and section II raises three of the more important. One issue is the theory used in local economic planning, in particular the economic theory: what applications of such planning could be well supported by economic theory in its present state, and what applications could not? (chapter 6). Another issue is about planning agencies: through what governmental organisations would local economic planning best be practised? (chapter 7). And a third issue is about powers: if local economic planning were to be

practised more widely, would that need extra legal planning powers, and if so how should they be granted? (chapter 8).

There are many other issues arising out of the idea of local economic planning, and in this report we have tried to discover and discuss all the important ones - for example, integration with other types of local planning (chapters 4 and 7), finance for extra local economic planning (chapter 12), integration with national economic planning (chapter 7), the political acceptability of yet more planning (chapter 12). But we have not given these other issues the extended treatment accorded to theory, organisation, and powers, because those three issues provide more fruitful discussions about local economic planning at this stage of development of the idea.

Section III It would be extremely useful to take some examples of local economic planning actually implemented and to subject those examples to searching and critical empirical tests, in some case studies. In that way we could test some of the theoretical statements made in sections I and II. For example, we could test statements about the possible uses of local economic planning (chapters 3 and 5), statements derived from the economic theory predicting the results of deliberately changing economic variables (chapter 6). We could test statements about the relative efficiency of economic and physical planning for achieving a certain goal (chapter 4). We could test statements about the best organisation of local economic planning (chapter 7), about possible conflicts between it and national economic planning

(chapter 7), about how local government is constrained legally from practising more economic planning (chapter 8).

Unfortunately, most of those empirical tests cannot yet be made. The reason is that there are so few examples of local economic planning implemented, that even fewer have been monitored carefully, and that some of the examples are so recent that there are no results yet to monitor.

There are two important exceptions to that statement. One exception is Britain's regional industrial location policy, most of it implemented by economic powers applied locally (i.e. sub-nationally - see chapter 2). That policy has been operated since the 1930's (and has cost huge sums): but its monitoring has been strangely neglected. The few empirical studies that have been made of the success of that example of local economic planning are reported in chapter 5 where they are used to test statements about the limitations of local economic planning. The other exception is empirical testing of some of the economic theories that could be used in local economic planning: some of those empirical tests are reported in chapter 6, when we evaluate the state of those theories.

Nevertheless, the general statement remains - that most of the theoretical statements about local economic planning made in sections I and II cannot be subjected to searching empirical tests. That leaves an undesirable gap in our study, abstract statements unsupported by concrete examples. We fill that gap partially with two case studies which do not test the theoret-

ical statements, but which illustrate them with empirical detail. The first case study (chapter 9) is of the Inner Area Study in Lambeth, and we use it to illustrate that many urban problems can be analysed in economic terms (chapter 1), that many urban problems are not amenable to physical planning solutions (chapter 4), and that analysing urban problems in economic terms is fruitful in that it suggests new solutions, economic as well as physical (chapter 3). The second case study (chapter 10) is of development work done for the Birmingham Comprehensive Community Project. It takes a set of problems (employment problems) to tackle which local economic powers are better developed than for any other set of local problems. We use that case study to illustrate some of the theoretical statements about the use of local economic powers: that such powers are available (appendix A to chapter 3), that the practice of local economic planning is poorly developed (chapter 1), and that conflicts between central and local government arise in the application of local economic powers (chapters 5 and 7).

Section IV takes stock of the current state of the idea of local economic planning. We started with that idea, which we had found to be valuable but poorly developed, and we explored it in sections, I, II, and III. In so doing, we developed the idea further and found it useful both for understanding urban problems and planning and for suggesting better urban planning. Chapter 11 summarises our exploration by describing guidelines for the practice of local economic planning, guidelines suggested by the current state of development of the idea. In

chapter 12 we illustrate the practical implications of that summary by describing four new local economic powers which the idea of local economic planning in its present state could support.

The report ends with a chapter (chapter 13) which shifts the focus from powers to problems and policies, by giving examples of the new sets of policies that would be possible if new powers for local economic planning were created, the new policies by which planners could then tackle our cities' problems of jobs, housing, and transport.

An extended synopsis

Having described the contents of the four sections into which this report is divided, we shall now summarise the report more fully by describing the contents of the chapters into which the sections are divided.

SECTION I Local economic planning

Chapter 2 The idea of local economic planning

The purpose of this short chapter is to define and describe what we mean by local economic planning, so that its meaning is understood clearly throughout the rest of the report. First we introduce the idea of classifying types of planning by the powers used, and we show how that classification can be applied to the familiar town and country planning. Then we define economic planning as that type which uses economic powers, and we show that the familiar national economic planning conforms with that definition. An economic power is defined as a power directly to influence an economic variable, and we list the economic variables which could be influenced, using a classification which is employed elsewhere in the report. In doing so, we find that many powers can be classified as either economic or physical and that we can choose the classification according to the circumstances.

Having defined economic planning generally, we then define local economic planning as when powers are applied to change economic variables in specified local (sub-national) areas but not in other areas of the country. Our definition of local economic planning includes local economic measures applied by both central and local government.

In appendices to chapter 2, we clarify and illustrate the idea of local economic planning by describing some types of local planning which others might call local economic planning but would not be so called by our definition (appendix A), and by giving some examples of local economic planning implemented (appendix B) and of local economic planning suggested (appendix C).

Chapter 3 The possible uses of local economic planning

The purpose of this chapter is to explore the uses to which local economic planning could be put. First, we show that there is a need for local measures, because the urban problems vary from area to area, and area-specific problems need to be tackled by area-specific measures.

Second, we argue the usefulness of economic planning generally. The argument is from theory, not practice. We divide the possible causes of urban problems into three - the employment conditions, the physical conditions, and the social conditions - and show how we would expect each of those conditions to be changeable in response to deliberate changes in economic variables.

Third, it follows that, as economic measures would be useful and as local measures are needed for local problems, local economic planning might be a useful way of tackling urban problems. So we continue with some theoretical examples of ways in which we might expect local economic planning to be effective.

Finally, we apply the above argument to show that local economic

planning could in some conditions be used as an alternative to other types of local planning, in conditions where we would expect a particular problem to be changeable either in response to economic measures or to other (e.g. physical) measures.

In appendices to chapter 3 we explore the scope of the usefulness of local economic planning by listing local economic powers, using a classification which spans the full range of possible economic powers. Appendix 3A lists local economic powers which are available, and appendix 3B lists some local economic powers which are not available but which could be useful.

Chapter 4 The need for local economic planning

To argue that local economic planning would be useful if implemented is not to argue that local economic planning should be implemented (or implemented more widely); for there are already many policy instruments in use for tackling urban problems, and there is no point in introducing more if more are not needed. The purpose of this chapter is to see whether an argument can be made for local economic planning being not only effective, but also needed, in the attempt to alleviate urban problems. To make that case requires that we can show that there is a gap in the existing forms of planning, a gap which local economic planning alone can fill.

We find that we cannot sustain that argument, and instead make a looser and more moderate argument, as follows. One of the ways in which urban problems have been tackled most vigorously has been by local physical planning: yet there are good reasons

from theory for expecting many urban problems to be immune to physical planning. A recent attempt to tackle urban problems more effectively has been by using existing forms of planning in a more co-ordinated way: yet recent studies suggest that that principle will not be very effective. The cybernetic Law of Requisite Variety says that a great variety of controls is necessary to plan the great variety of a city: and local economic planning would increase the range of possible controls. Moreover, several local authorities are practising a limited form of local economic planning (appendix B to chapter 2), others are considering doing that (appendix C to chapter 2), and some have thought it necessary to obtain extra local economic powers under local Acts of Parliament (appendix D to chapter 4).

That argument suggests that there are important gaps in the effectiveness with which existing forms of planning can tackle urban problems, and it suggests that local economic planning could fill some of those gaps. That is not an argument that local economic planning is needed: rather, it strengthens the argument of chapter 3 about the usefulness of local economic planning. Thus, we are encouraged to investigate further the idea of local economic planning as an instrument of urban policy.

The chapter is supplemented by four appendices. In the first two we raise two counter-arguments to the statement that new forms of planning are needed to tackle urban problems: appendix A examines and rejects the argument that there is too much government intervention in cities: appendix B examines

and rejects the argument that adjusting welfare state legislation is no solution because the problems require profound structural changes. Appendix C examines the limitations of physical planning in achieving employment aims. Appendix D describes some extra economic powers that local authorities have obtained under local Acts.

Chapter 5 The limitations of local economic planning

In the previous chapters we have investigated the strong points of local economic planning: now we must investigate its weak points. First we explore by theoretical arguments the limitations of local economic planning, and we find them to be of two types. One set of limitations arises from the nature of that variety of planning - what can, and what cannot, be changed by changing economic variables locally. (Appendix A takes that investigation further by classifying the economic activities of central and local governments into some classes which, economists have suggested, can usefully be influenced locally and into other classes which, it is suggested, cannot.) The restricting effects of that set of inherent limitations could be avoided by applying local economic planning with other varieties of local planning in an integrated way. (Appendix B takes that discussion further.)

The other type of limitation suggested by theoretical arguments arises from the present underdeveloped state of local economic planning - limitations arising from our incomplete understanding of *local* economies, limitations arising from the difficulties of organising a politically sensitive variety of planning, and

limitations arising from the political difficulties of creating the necessary powers.

The second way in which we explore the limitations of local economic planning is practically, by using as a case study our most fully developed set of local economic powers, those for implementing regional industrial location policy. We use the case study to test the theoretical arguments about limitations, and conclude with a modified list of the limitations of local economic planning.

SECTION II Some important issues

Chapter 6 Theories in local economic planning

We distinguished earlier between theories of and theories in planning, then discussed general theories of planning and how they help us to understand local economic planning. In this chapter we are concerned with theories in local economic planning. Such theories are useful because they suggest new ways of looking at, and therefore tackling, problems; and they are useful for predicting the consequences of applying powers, both whether the intended consequences will reduce the problems and what the unintended consequences will be.

It is the purpose of this chapter to examine the state of theories in local economic planning, with the following aim. We know the ways in which theories are useful to the practice of planning. Nevertheless poor theory does not prevent practice, for practice can improve theory by implementating proposals carefully and monitoring the results - that is, by using pract-

ice as controlled experimentation. However, if the theory is very poor, practice is inhibited, for we should not implement proposals the consequences of which are totally unpredictable, we cannot rationally use practice as experimentation when theory cannot even tell us what results to monitor, and we need theory for suggesting new and varied solutions to the practitioner. Therefore, theories in planning should have passed a certain level before any planning is practised. The aim of this chapter in examining the state of theories in local economic planning is to decide first whether there are theories which suggest new and varied solutions; second how good those theories are and what applications of local economic powers the theories are good enough to support, and what applications might be unwise until the theories are improved.

The theories needed to support local economic planning can be divided into two parts - theories in economic planning generally, and the special theoretical requirements of local economic planning. It is not appropriate in this thesis to examine the state of theories in economic planning generally, only those theories which are special to local economic planning. The chapter continues by showing that the special theoretical issues are those raised by the openness of the urban economy, which has two consequences: that an economic change in one area might have effects in other areas, and that the sizes of the effects will be affected by the leakages into and out of the area where the economic change is made. Micro-economic theory can be used to predict both locational consequences and leakage effects, and

macro-economic theory can be used to predict leakage effects.

The state of both types of economic theory is critically examined, weaknesses are identified, and conclusions are drawn about the limitations imposed on local economic planning by the theories as presently developed. Especially technical discussions about the economic theories are put in appendices to this chapter.

Chapter 7 The organisation of local economic planning

The purpose of this chapter is to raise and study the question: if local economic planning were to be practised more widely, through what governmental organisations would it best be practised? That question is divided into two: at what level of government would the economic measures be best designed, chosen, and implemented? and: how would local economic planning at that chosen level best be organised?

Study of the first question - about the best level of government - starts by examining the main possibilities, working within the existing distribution of government functions but allowing for a possible devolution of powers to regions. Eight criteria are suggested for choosing the best level. Applying those criteria favours the local design and implementation of local economic measures, but with those local decisions subject to central government checks by carefully specified procedures. Such an organisation of local economic planning would impose restrictions on the possible uses of local economic measures, and the probable restrictions are described.

That answer modifies the second question into: how would local economic planning best be organised within local govern-

ment? The chapter argues that, as local economic planning would be a function rather than a purpose, it should not be organised into a purpose department. If there were enough local economic powers to justify it, they could be operated by a new function department (similar to the departments operating town and country planning powers). If there were just a few local economic powers, they could be dispersed between other, existing, departments, appropriately to the existing distribution of other powers in the particular local government.

Chapter 8 Powers for local economic planning:

If local economic planning were to be practised more widely by local authorities, then the issue of powers would have to be resolved. The purpose of this chapter is to examine that issue by asking first: would local authorities need extra powers? and second: if so, how should they acquire those extra powers?

The chapter starts by explaining that, although powers for local authority actions comprise finance, staff, and legislation, it is the presence or absence of legal powers which is crucial. So the first question becomes: would local authorities need extra legal powers for a wider exercise of local economic planning? We know that local authorities already have several local economic powers (see appendix B to chapter 2, appendix A to chapter 3, and chapter 10), and we know that not all local authorities are using fully the

local economic powers they already have (see, especially, chapter 10). So more local authorities could practice more local economic planning within their existing powers. Moreover, local authorities already have some powers over local economic variables which could conceivably be used for local economic planning (some examples are given in appendix A to chapter 3). However, the central government controls on local government (described in appendix A to this chapter 8) mean that only narrow extensions of economic planning by local authorities using existing legal powers would be allowed by central government. Also, we know that some local authorities, probably the more active and enterprising, have felt so constrained by existing powers that they have obtained extra local economic powers by local Acts (appendix D to chapter 4).

So the chapter argues that, for local authorities to extend significantly the practice of local economic planning, they would need more legal powers. (Appendix B to this chapter 8 examines three new powers just created or possibly to be created, in order to see if they could be used by local authorities for a significant extension of local economic planning.)

The chapter then moves to the second question posed: how should local authorities acquire those extra powers? Three ways are considered - by new local by-laws, by central government changing regulations or the rules of audit, and by new legislation. We argue that only the last would be appropriate, because of the nature of local economic planning. Then we consider three ways of passing the appropriate new legislation - by a new Act

which removed the ultra vires restriction, by new local Acts, and by new public Acts specifically granting extra powers for local economic planning. We argue that new specific public Acts would be necessary if local authorities were to operate local economic powers more widely.

This chapter is supplemented with two appendices. Appendix A describes the ways in which central government controls local government; appendix B explore three new powers which have been, or might be, given to local governments.

SECTION III Two case studies

Chapter 9 Problems and possibilities in Lambeth

The purpose of this chapter is to illustrate empirically some of the theoretical statements made in previous chapters. The illustrations are taken from the Lambeth Inner Area Study.

This study was started in March 1973, one of three studies of the problems in the inner parts of big cities and of the possibilities for tackling those problems by a well-stirred mixture of physical and non-physical measures (see also chapter 4).

All three studies (the other two were in Birmingham and Liverpool) were commissioned from consultants at the expense of the Department of the Environment, but the clients were joint committees of central government officials and local government officers and members.

The consultants for Lambeth were jointly the Shankland Cox Partnership (town planners and architects) and the Institute

of Community Studies (mainly sociologists). Those consultants asked me to be their economic advisor, with the job of designing the economic studies, appointing a junior economist to carry them out, and continuing to direct the economic work. Most of the results selected for description here come from the economic studies (IAS/LA/4, and IAS/LA/6, and "Local employers' study" not yet published) and were therefore my responsibility. (Nevertheless, it would be wrong to hide the tremendous contribution made by the junior economist, Glen Bramley, who started by working under my direction, ended by planning the work jointly with me, and executed most of the empirical work.)

The first theoretical statement to be illustrated by the Lambeth case study is: many urban problems can be analysed in economic terms. That is illustrated by describing carefully the worst of the problems of the residents of the study area, and by explaining them using economics. The second theoretical statement is: some urban problems, when thus analysed, can be seen to be not amenable to physical planning solutions. That is illustrated by showing that many of the problems in Lambeth stem from its being a poor industrial location, and by showing that physical measures alone would not make it a good industrial location. The third theoretical statement is: analysing urban problems in economic terms is fruitful, in that it suggests many possible solutions. The illustration is by listing the recommendations made in Lambeth for alleviating the problems there, recommendations which are for both physical and economic measures.

Chapter 10 Employment problems and programmes in Birmingham

This chapter takes other theoretical statements (different from those taken by chapter 9) made in previous chapters, and illustrates them with information taken from another case study. The case study is entitled "Development work on Comprehensive Community Programmes in Birmingham".

In January 1976 I was commissioned, through the Department of Architectural Planning and Urban Studies of Aston University, to study employment in Birmingham District. The client was the Home Office which, with Birmingham District Council, was producing an experimental Comprehensive Community Programme for Birmingham. Such programmes focus on urban deprivation, and the employment study was to investigate which people had the worst employment deprivation and what was being done to help them.

We produced five reports - an employment profile (describing the employment problems), a description of employment programmes, an appraisal of training programmes, a summary of the first three reports, and a general report describing the experience gained in such a way that others could carry out similar employment studies. The final report, titled "Guidelines for a local authority employment study in the context of an urban deprivation plan" is to be published. Eric Hookway was an invaluable assistant with the second and third reports; Janet Sinclair and Stephen Harrison helped with a supplementary study of how the employment programmes were co-ordinated. Material from those reports is used to illustrate theoretical statements as follows.

First we illustrate statements about the powers available for tackling urban problems by listing all the powers available for influencing employment locally. We see that the powers are both physical and economic, wielded by both central and local government. Second, we illustrate that the practice of local economic planning is poor, by showing that the use of the powers is incomplete and unco-ordinated. Third, we illustrate that conflicts between central and local government can arise over the application of local economic powers. That is illustrated by the programmes of advising industrialists and of providing training.

SECTION IV The state of local economic planning

Chapter 11 The state of development of the idea

The purpose of this chapter is to summarise what we have found in our exploration of the idea of local economic planning. We summarise by re-ordering the findings and conclusions of our previous chapters, in the following way.

First we collect those findings which support the extension of local economic planning, and organise them into a cautious argument for implementing local economic planning more widely. Second we offer arguments against extending the practice of local economic planning. Then we organise some of our earlier findings into conditions which, if they restricted the practice of local economic planning, weaken or negate the arguments against extending such practice. Those conditions are then reformulated into a set of guidelines which any extension of local economic planning should follow.

The guidelines summarise the state of development of the idea, by showing the sort of slight changes in urban social policy - marginal and evolutionary - which the idea of local economic planning could support in its present state.

Chapter 12 Some possible extensions of local economic powers

The purpose of chapter 12 is to illustrate the conclusions of chapter 11, which were the guidelines that should be followed by any extension of local economic planning. The legislative implications are illustrated by the description of four new economic powers for local authorities which would meet those conditions. The four powers are: to undertake compensatory public works; to stockpile locally produced goods; to produce any good or service; to take equity shareholdings in local firms. Initially, those powers would be used to reduce local concentrations of unemployment, in accordance with a new form of planning document "Employment policies and programmes".

It needs to be stressed that those suggestions are for purposes of illustration only.

Chapter 13 Policy alternatives

The focus of this report has been on means not ends, on powers not problems, on the instruments of public policy not on the policies themselves. That focus is understandable, given the purpose of this report to explore a relatively new means/power/instrument. But now the focus needs shifting to the ends of the planning, the attempts to alleviate problems, by which alone the use of public powers can be justified.

The purpose of this chapter is to apply the ideas developed in the report to the three main problem areas in towns - jobs, housing, and transport. We assume that extra local economic powers have been created, to allow the wider practice of local economic planning within the conditions derived in previous chapters. Then we suggest how those extra economic powers could be used, in an integrated way with other planning powers, to tackle some of the worst problems in employment, housing, and transport.

The scope of the report

It will be obvious from that extended synopsis that this report explores many aspects of the idea of local economic planning: but it does not explore all the aspects and some important aspects are investigated less thoroughly than others. It will be helpful to close this introduction by stating what this report does not include.

i) This report takes no historical viewpoint. We have not traced the development of the idea of local economic planning, nor have we put the idea into the historical context of the development of planning and planning ideas. The reason is that our main interest is in current planning practice. History is sometimes useful for practice, but is mainly used for interest. So the historical viewpoint can be taken later, at leisure.

ii) This report asks no searching questions about the political acceptability of extending the practice of local economic planning, apart from the discussion in chapter 12 of the effect of the need for political acceptability on the best organisation of such planning. Yet any decision to extend the practice, which would require more laws, more money, and more organisations, would be taken, finally, by politicians: and the politicians would decide on grounds of political acceptability as much as on grounds of reasoned arguments about expected costs and benefits. The reason we have not given much attention to the issue of political acceptability is that it requires a different focus on the subject than the economic focus we have chosen to take.

iii) This report does not delve very deeply into the question of how local economic planning should be organised so that it would be co-ordinated with other forms of planning. There are two organisational issues - co-ordination

with national economic policy, and co-ordination with other types of local planning. We do consider those issues, but not deeply. The reason is that the more careful consideration is more appropriate to the next stage of exploration. The aim of the first stage is put the question: should local economic planning be practised more widely? If the answer is: Yes! then the second stage must explore the organisations necessary for that wider practice.

In this report, as is apparent from the synopsis, we have tried to raise all the issues - except that of political acceptability - relevant to the first question: should local economic planning be practised more widely? We have now completed the necessary introductions to that question, and must now go on to meet all the issues that it raises.

Appendix A to chapter 1

Formulating problems

For purposes of public policy, it is fruitful to approach social problems by asking: who is suffering? So we try to define social problems in ways which can be expressed in terms of personal problems. (The argument for that approach is in Needham, 1971a, and for and against are argued in Needham and Faludi, 1973.) So we can accept, as a description of an urban problem, the statement: 10% of all households in this area have to share a kitchen. And we can accept: housing conditions are sub-standard in the x ward: because that statement is a generalisation about lots of personal problems. But we cannot accept as a problem description: the City of Birmingham is economically stagnant or: Sutton Coldfield has no physical identity: because it is not clear from either of those statements what the personal problems are. Is anyone suffering? If so, who? Throughout this work we shall try to consider only problem statements which can be expressed in personal terms.

We do not say, however, that all personal problems are a matter for public planning. Rather, we say that public planning should distinguish between private personal problems (e.g. a person might feel aggrieved that his salary is only £10,000 p.a., or that he has no garage for his second car, or that his wife has left him) and public personal problems (e.g. a family has no indoor W.C., a person is unemployed, children are endangered by busy roads); and we say that public planning should tackle the latter set of public or social, problems.

What is the distinction between a private and a social problem? A problem is when conditions fall short of expectations. By talking about personal problems we are talking about the conditions of persons. The

problems are private when the expectations are those of the persons, social when the expectations are those of the public body responsible for public planning. (Of course, pressure groups will try to change the expectations of public planning bodies, thus changing public standards and thus changing the list of social problems. For example, if a pressure group succeeds in making councillors concerned about the plight of gypsies, it will become a social problem that there are no approved camp sites for gypsies.)

Chapter 2

THE IDEA OF LOCAL ECONOMIC PLANNING

The purpose of this report is to investigate and develop the idea of local economic planning so we need to be clear from the start what that idea means. It is the purpose of this chapter to define and describe it.

i) Classification of planning by the powers used

In chapter 1 it was explained that the idea of local economic planning was based upon the notion of classifying planning by the powers used to implement the plans, or the means used to achieve the ends. We shall now show that classifying planning by the powers used produces classes, or types, of planning which are not unfamiliar to us.

Our method of classifying implies a type of planning which uses physical powers, a type of planning which we can call "physical planning". That is easily seen to be the familiar town and country planning. In Britain, town and country planning is a statutory activity which must be defined, therefore, according to the statutes. The main legislation is the 1971 Town and Country Planning Act, in which it can be seen that statutory development plans are to be implemented by a particular set of powers, viz: powers to control or influence the use of land and buildings. Those are powers over physical variables; they are physical powers. Town and country planning is, therefore, physical planning by our definition.

Our method of classifying planning implies another type, "economic planning", planning which uses economic powers. Again, that type of planning is recognisable in practice, as the familiar national economic planning. That national economic planning is the same as economic planning by our definition can be shown in two ways - by comparing definitions, and by listing the powers through which national economic planning operates.

Some standard definitions of national economic planning are given in Sandford (1972) - "economic planning ... is concerned with the regulation of matters formerly left to the laws of supply and demand" (p.2) and "(economic planning) is the allocation of resources and the co-ordination of the main economic variables" (p.3), in Kirschen (1964) - "economic policy ... is the deliberate intervention of government in economic affairs in order to further its aims" (vol.1,p.3), and in the International Encyclopedia of the Social Sciences (Sills, 1968, under "planning, economic"). Those definitions are consistent with our definition of economic planning.

National economic planning operates by controlling or influencing certain variables - see, for example, "The National Plan" (1965) and the examples of national economic plans in Mitchell (1966). Those variables on which national economic planning operates can be classified in many ways: here we use a classification which we have found to be useful throughout this work:

- employment
- prices of goods and services
- demand for goods and services
- supply of goods and services
- price and availability of credit
- methods of production
- personal incomes
- exchange rates
- imports and exports
- investment
- savings

Those variables can be called economic, in that they are the subject of economic theory. So again our uses of the term "economic planning" are consistent.

We can conclude that our method of classifying planning by the types of powers used, although not often employed explicitly, produces classes or varieties of planning which are the same as some of those familiarly referred to. In particular, we can talk about economic planning, meaning by that a variety of planning implemented by economic powers, knowing that we are not using that term eccentrically.

Nevertheless, our use of the terms "physical planning" and "economic planning" cannot be precise, because we cannot define unambiguously what are physical variables and what economic variables. As a result, some variables can be defined as either or both. That need not disturb us, however, for it allows us to classify those ambivalent variables as either physical or economic, whichever is the more helpful in the circumstances. For example, it is usual to consider land as a physical variable, when control over land (land-use planning) would be physical planning. But, as we shall see in appendix A to chapter 3 and in chapter 10, it is sometimes useful to consider land as an economic variable, when measures to control its supply or price would be economic planning: that might be useful, for example, when wanting to use economic theory to compare alternative ways (one of which was controlling industrial land) of influencing the volume or location of production.

ii) Local economic planning

Having defined economic planning, we now want to define local economic planning. The basis of the definition is the location of the economic variable which is directly influenced by the power. When powers are used to reduce inflation nationally or to increase investment nationally, that

is national economic planning: but when the powers are used to influence an economic variable in specified parts of the country but not elsewhere, we call that local economic planning.[¶] Why we might want to change or control economic variables in some parts of the country and not in others is explained in chapter 3.

As soon as we introduce a spatial dimension to economic planning we find it necessary to do the same to the classification of variables on which economic planning acts. We take the list of economic variables given earlier, and expand it as follows:

employment

- the demand by local firms for labour^{¶¶}
- the demand for labour locally resident
- the wages paid by local firms
- the wages received by locally resident labour
- the supply of labour to local firms
- the supply of labour from local residents

price of goods and services

- price of inputs to local firms
- price received by local firms for output
- price of consumer commodities to local households

demand for goods and services

- demand for outputs of local firms
- demand for inputs by local firms
- demand for consumer commodities by local households

[¶] "Local" is used very widely to mean any sub-national area: so local economic planning includes influencing economic variables in regions and in parts of cities.

^{¶¶} "Firms" include all production, public or private.

supply of goods and services

- supply of outputs by local firms
- supply of inputs to local firms
- supply of consumer commodities to local households

price and availability of credit

- to local firms
- to local households

methods of production

- by local firms

personal incomes

- of local households

imports and exports

- inflows of inputs to local firms
- inflows of consumer commodities to local households
- outflows of outputs of local firms
- outflows of wages paid by local firms
- outflows of rent, interest, profit paid by local firms
- inflows of wages to local households
- inflows of rent, interest, profit paid to local households
- inflows and outflows of inter-personal transfer payments
- inflows and outflows of inter-governmental transfer payments
(grants, etc.)
- inflows and outflows of person-government transfer payments (taxes,
grants, etc.)
- inflows and outflows of firm-government transfer payments (taxes, grants,
etc.)
- inflows of money for local capital formation, and other loans
- outflows of money for non-local capital formation, and other loans

investment

- new capital formation in the local area

savings

- savings by local firms
- savings by local households
- savings by local government

That list is useful in two ways - for classifying local economic powers (see appendices A and B to chapter 3), and for recognising which examples of local planning can legitimately be called local economic planning.

It is important to note that our definition of local economic planning defines "local" by reference to the location of the variables affected, not by reference to the location of the planners. It follows that our definition includes local economic measures designed and implemented by central government as well as those designed and implemented by local (and regional) governments (see, e.g., chapter 10).

In order to make as clear as possible the meaning that we give to the central idea of local economic planning we put three appendices at the end of this chapter. Appendix A describes some types of local planning which others might call local economic planning but would not be so called by our definition. Appendices B and C list some examples of local planning implemented (appendix B) and suggested (appendix C) which are, by our definition, local economic planning.

iii) Economic planning for cities

Let us end this chapter of definitions by defining and explaining the title of this report. Economic planning for cities is local economic planning which is applied to reduce local problems in cities. We argue in chapter 3 that local problems require local measures: when the prob-

lems occur in cities and the local measures to alleviate them are economic, that is economic planning for cities. As our practical concern throughout this work is with urban problems,* the application of our ideas that interests us most is economic planning for cities.

* Both problems of cities and problems in cities. In this work, we do not distinguish between problems caused partly or wholly by the physical nature of cities (problems of cities) and problems which occur in cities because that is where most people live (problems in cities).

Appendix A to chapter 2

What is not meant by local economic planning

It might help to avoid confusion if we state some types of planning which could be called economic planning for cities but which are not included in, or which overlap, our definition of that term.

The economics of physical planning

This is the study of the economic consequences of physical planning - i.e. of planning by changing or influencing the physical environment. So it includes, for example, industrial and employment aspects of land use zoning, the costs and returns of town centre redevelopment, testing transport proposals for financial feasibility. Andrews (1963,a) makes explicit the difference between economic planning and the economics of physical planning as follows. "These planners (at the city, county or small-region scale) operate under the basic assumption that their main responsibility is physical planning. An implicit negative corollary of this assumption is that economic planning is not a responsibility of the local area planner This line of argument does not mean to suggest that economics is not used by the city, county or small region planner. But it is used in a manner thought best for physical planning purposes." (his emphasis).

Planning to achieve economic goals

This is a type of planning classified by the ends, by what the plans are designed to achieve. We are using economic planning to mean a type of planning classified by the means or measures used. And economic goals can be aimed at by other than economic means. For example, a new shopping centre might be built in order to reduce the outflow and to increase the inflow of retail expenditure.

Planning for employment or for economic renewal

As employment in Britain declines and as concentrations of unemployment in parts of cities are detected there is a growing opinion that planning to counter that unemployment should be directed to regions, cities, and even parts of cities. (In chapter 10 we describe what is being done in Birmingham to counter local unemployment.) Some of the suggestions for such planning include control over economic variables (i.e. economic measures, in our terms) - see, e.g., West Midlands County Council, 1974, at the regional scale; Walsall County Borough, 1972, at the city scale; and Falk and Martinos, 1975, also Lomas, 1975, for parts of the city. Falk and Martinos call such planning for economic renewal "economic planning", but as they include in their recommendations physical as well as economic measures, their use of the term overlaps and hence is not compatible with ours. And when economic measures only are proposed for combatting economic decline, that is only one application of what we have called economic planning. Andrews (1963,a), anxious to develop local economic planning in our sense, says "At the present time the economic 'planning' which is performed for small areas is confined to selective promotional planning commonly identified as "industrial development" or "resource development"". He was writing about the United States, but the examples of economic measures applied to and suggested for small areas in Britain (appendices B and C to this chapter) show that local economic planning in Britain too is similarly conceived very narrowly.

Planning the local economy comprehensively

National economic planning has a different meaning in Communist countries than in Western market economies. In the former, it means producing a

comprehensive and consistent framework within which all major production decisions must be made: in the latter, it means making proposals so that certain public and private production decisions are modified, the modification being to alleviate a specific problem. There is a similar distinction between two meanings of physical planning: one meaning is producing a development plan (e.g. a structure plan) which includes proposals for all the land uses in an area, the other meaning is producing proposals for modifying certain parts of the physical environment in order to alleviate a specific problem.

The distinction can be expressed using the idea of "action space" (Faludi, 1973, p.92), the scope and variety of proposals which the planning agency considers when looking for means within its available powers to achieve the planning ends. When the planning agency deliberately limits itself to measures which make small changes in a few variables only, we shall call that "piecemeal planning" (after Popper, 1961): the opposite we may call "comprehensive planning", trying to plan everything at the same time. In those terms, Soviet economic planning and British development plans are comprehensive, British economic planning and physical plans for (e.g.) housing or for parking are piecemeal.

When we talk of economic planning for cities we do not mean producing comprehensive plans for the city's economy. (As Lewis, 1949, p.110, says, "... a general 5 year plan for the whole economy is no more than a game.") Instead, we mean making piecemeal proposals for parts of the city's economy, and we do not think it necessary to produce comprehensive plans even for those economic sectors for which piecemeal proposals are made. In the terms of Denton et al (1968 p.295) we are talking of "ad hoc policies to cope with particular problems".

Appendix B to chapter 2Examples of local economic planning implemented

- a) The powers over the location of industry in Britain are a mixture of physical and economic planning powers (Department of Industry, 1975,a) applied discriminately to certain areas (DI 1975,b) in one form or another since 1928 (Glasson, 1974, p.180). They have had a measurable success (Rhodes and Moore, 1975), which has led to the suggestions (appendix C to chapter 2) that they be applied to cities and even parts of cities, a much smaller scale than the regional scale at which they are currently applied.
- b) Those central government powers over the location of industry were applied at a small scale by the Local Employment Act 1960, when they were applied to employment exchange areas (McCrone 1969). (That experience led to a decision to apply them no longer at such a small scale. There were two reasons. First, the arrival of just one firm in an assisted exchange area could lead to that area ceasing to qualify for assistance. Second, it was not possible to steer firms to a growth point outside the assisted area where production might be more efficient and still within easy travelling distance of the unemployed workers in the assisted area. The latter point is an example of the openness of the urban economy, discussed in chapter 6.)
- c) Many local authorities vie with each other to attract industry by offering industrial sites, and sometimes industrial buildings, housing for key workers, and financial assistance (Camina 1974). For example, Tyne and Wear County Council announced in September 1975 that it was starting a £2M industrial development programme on

166 acres of land (Estates Times, 19th September 1975).

- d) In the past, some local authorities have undertaken public works in order to relieve local unemployment (e.g. the first Mersey Tunnel in Liverpool 1934, Queen's Park Bolton in 1864). In Birmingham, the first example of that was in 1879; then between 1924 and 1927 the new Birmingham-Wolverhampton Road was built as a public works scheme, in that period the Bristol Road was widened; and such local economic planning continued until 1939 (MacMorran 1973).

Now, central government has some public works schemes to benefit particular areas e.g. £30M extra for improvements to hospitals and schools to help unemployed workers in the construction industry, mainly in Scotland, Wales, the North, parts of the Midlands, and the South of England (The Guardian, 29th October, 1975).

- e) Hull Corporation is offering aid and facilities to inventors who want to develop their ideas commercially (The Times, 2nd November, 1973).
- f) It might be that local Chambers of Commerce and of Trade fulfill similar functions locally to national Economic Development Councils and regional Economic Planning Councils - what Oulès (1966) calls "planning by enlightenment". "The basic concept is that business firms, pressure groups, or individuals should voluntarily submit to a measure of discipline because, as a result of information issued on the state of the market, they realise that it is in their interests to do so." (p.38).
- g) A few years ago, Liverpool Corporation employed many boys straight from school as messengers, office boys, etc. even though there was

not much need for their services. The boys were employed for their first year out of school if they could not get any other jobs.

Recently, other local authorities have announced similar schemes - South Yorkshire County Council (Guardian, 16th September 1975), the London Borough of Hillingdon (Guardian, 29th August, 1975), and Birmingham City is appointing 50 school leavers for a year each as supernumary clerical staff (Brum Bugle, Birmingham City Council, October, 1975).

- h) In a successful attempt to secure for the West Midlands the National Exhibition Centre, Birmingham City Corporation and Birmingham Chamber of Commerce and Industry set up jointly a company, The National Exhibition Centre Ltd., to which the Birmingham Corporation gave a £3M deferred interest loan.
- i) Islington Borough Council Planning Committee is refusing permission to change the use of industrial buildings, vacant or not, to preserve and encourage job opportunities for unskilled and semi-skilled workers (Planning Newspaper, 6th February, 1976).
- j) In this time of high unemployment, both local and central governments are adopting many economic measures to improve job prospects in areas badly affected by unemployment. Birmingham is one such area: the "employment programmes" being applied are described in chapter 10.
- k) South Yorkshire County Council is allocating 5% of its employees' superannuation fund for investing in firms in the region (The Guardian, 16th March 1976).

- l) Since 1966 local authorities have been able to levy rates on empty buildings in order to bring them into productive use.
- m) Local authorities, subsidised by central government, give grants for house improvement. The value of the grants may vary within a city - 50% normally, 60% if the house is in a General Improvement Area, 75% in a Housing Action Area (1974 Housing Act). Until 1974, the value of the grants varied between regions - normally 50%, in Development and Intermediate Areas 75%.
- n) Central government gives grants to local authorities towards the loss incurred in reclaiming derelict land, and those grants vary within the country - 50% normally, 75% in National Parks and Areas of Outstanding Natural Beauty, 100% in Derelict Land Clearance Areas and in Assisted Areas, and 100% in Wales and Scotland (The Times, 1st February 1975).

(A list of the powers available now for local economic planning is given in appendix A to chapter 3.)

Appendix C to chapter 2

Examples of local economic planning suggested

- a) The Wales TUC says that the Government should provide finance for public works schemes in Wales, such as cleaning and beautifying parks, rivers, and canals, in order to reduce unemployment (The Guardian, 12th July 1975).
- b) Liverpool Corporation is being urged to encourage workers' co-operatives which, it is claimed, could provide 5000 jobs on abandoned dock sites (The Guardian, 21st January, 1974).
- c) Wolverhampton Corporation is considering buying the local factory of Norton Villiers Triumph and running it as a municipal co-operative in order to save the jobs there. There is discussion whether that is possible with existing legislation. (The Guardian, 12th and 13th August 1975)
- d) Suggestions have been made that the armoury of prohibitions and incentives used by central government to steer industry to the assisted areas should be applied much more selectively, so that the assisted areas are chosen not at the regional scale but at the much smaller scale of cities or even parts of cities. That would enable, for example, new industry to be attracted into parts of London with high unemployment although there is no serious unemployment in the South East Region as a whole. Canning Town CDP (1975) argues that case with the qualification that the more sensitive powers should not be administered by central or even sub-regional government (the GLC) but by the local authority. West Midlands County Council (1975) also argues for more selective and sensitive industrial location

policy, operated by the County Council.

- e) Smith (1975) suggests that Industrial Development Certificates be automatically granted to inner areas in London and Birmingham (although it is recognised that the industrial location policy which favours the assisted regions is contributing only slightly to employment decline in the inner city areas in the other regions: Smith 1975, Birmingham CDP 1975, Canning Town CDP 1975). Smith further suggests that IDC's should be granted "especially for concerns requiring unskilled male employees or providing training facilities extensively for local residents for more skilled work" (p.38).
- f) The labour supply available locally, and hence the jobs provided and the wages paid, can be influenced by local training schemes. Falk and Martinos (1975) suggest identifying gaps between the needs of firms and the skills and capabilities of residents. "Measures to close those gaps include working out what skills are needed to attract in suitable new firms, providing inducements for firms to train staff, setting up sheltered workshops, and apprenticeship schemes for school leavers, and improving systems for notifying shortages: (p.17). Canning Town CDP (1975) makes a similar suggestion: "(at the moment) schools both prepare people for work which is no longer there and fail to prepare them for its absence" (p.64). Lomas (1975) recommends similar measures for inner city areas.
- g) Canning Town CDP (1975) suggests forming a local Consultative Committee on Industry and Employment. "The function of the Committee would be to locate common demands of the whole community to promote initiatives and focus pressure on the government for policies

more favourable towards the maintenance of industrial and employment opportunities within the area" (p.67).

- h) The Labour Party in Manchester has proposed that the Greater Manchester County Council should set up two new organisations. One would be an executive agency for employment to arrange, in collaboration with the DTI and the North West Industrial Development Association, for adequate factories, offices, and services to be available; the other would be an investment agency to put public and private money into existing industry. (The Guardian, 29th March 1973, and correspondence with the Leader of the Greater Manchester C.C.)
- A private member's bill before Parliament has suggested new public investment agencies for the North region, the South West region, and Merseyside (The Guardian, 18th December 1975). At a smaller scale, the Liverpool Inner Area Study (IAS/L1/12, p.24) has proposed a Local Enterprise Board. This, with central government money, would promote opportunities for development in inner city areas, by means including giving advice and development assistance to potentially viable firms.
- i) Chisholm (1975) has suggested that the planning agreements in the Industry Act 1975 could be used for local economic planning. Government should enter into long term agreements with big firms, offering them financial concessions in return for decisions to locate in specified areas: see appendix B to chapter 8. (Such agreements could be expanded to cover a wider range of production decisions, as do the 'contrats fiscaux' introduced for the Fourth Plan in France - Mitchell, 1966 .)

- j) Coventry CDP (1975) recommends, "deliberately using the (local) corporation's own role as a major employer in the city to create job alternatives for those sections of the work force at greatest risk of redundancy (e.g. through rebuilding a strong Direct Works Department)" (p.69).
- k) West Midlands County Council (1974) suggests that it could itself provide investment incentives in the form of loans and grants, that it could "take positive steps to encourage greater service sector employment", that it could make financial provision to enable empty industrial premises to be brought quickly into productive use, that it could assist in the provision of industrial land, and that it could sponsor skill centres and re-training centres. Those suggestions are developed further by the County Council (1975): e.g. it suggests using the EEC Social Fund for retraining the workers leaving declining industries. In that later report, the County Council welcomes the suggestion from the regional CBI and the regional TUC to establish a West Midlands regional "neddy" (i.e. economic development council).
- l) Walsall County Borough (1972) proposed many measures which we would classify as economic planning, even though that authority had not the powers to implement some of the measures. The proposals are: to increase its own holdings of land for industrial use, to build factories, to organise trade fairs, to provide short-term financial assistance to firms in times of crisis, to provide other types of assistance (e.g. computer facilities for small firms), to expand industrial training at Technical Colleges and other places of education, to retrain the unemployed, to employ more people (e.g. to

carry out much needed environmental work), to buy more goods and services from local firms, to provide more nurseries to permit more women to go out to work.

- m) The suggestion made by Walsall (above) for using in a discriminating way governments' powers as purchasers has been developed by Turpin (1974). He suggests that government purchasing powers should be used much more to tackle a wide range of social problems: one example is to favour firms in areas of high unemployment by using a formula to weight their tenders favourably against tenders in other areas. (Already, under its existing industrial location powers central government can do something like that. If a tender from a development area firm is the same as from a non-development area firm, the former is chosen. If the tender from the development area firm is worse - e.g. a higher price - the government can give that firm the chance of retendering for up to 25% of the original contract.)
- n) In a series of three articles, Andrews (1963a, 1963b, and 1964) argues for systematic local economic planning. To implement the plans he suggests: financial incentives and property tax concessions; organising research on products, production processes, and markets important to local industries; demonstration projects; development of physical resources such as mineral prospecting, control of soil erosion; encouraging local innovators and entrepreneurs; and lobbying state and federal governments in order to attract public works.
- o) Palmer (1975) studied 18 structure plans for the ways in which they had tried to plan to reduce employment problems. Although the formal powers for implementing structure plan proposals are physical (see chapter 2), many local authorities proposed non-physical measures

(e.g. education, financial incentives) for influencing employment. Some structure plans even proposed measures which were not only beyond the formal scope of structure planning but also outside all the powers of local authorities. (See, e.g., Walsall Structure Plan proposals, described above.)

- p) The West Midlands County Council (1976) proposes many economic measures to combat the economic problems in the inner city areas, and distinguishes between those measures which are possible with existing legislation and those which would require new legislation.
- q) Minns and Thornley (1976) recommend that local authorities be able to form Municipal Enterprise Boards. Such boards would be able to buy voting shares in local firms, so that local government could influence industry and employment in their areas. They describe how similar powers obtained under local Acts have been used by local authorities. The money could come from the local authorities' own pension funds: South Yorkshire C.C. is setting aside 5% of its Superannuation Fund to invest in companies in the region (Guardian, 16th March 1976).
- r) Several economic planning measures have been suggested for Lambeth. They are described in chapter 9.

(Some suggestions for new powers for local economic planning are given in appendix B to chapter 3.)

Chapter 3

THE POSSIBLE USES OF LOCAL ECONOMIC PLANNING

The purpose of this chapter is to explore the uses to which local economic planning could be put, and our exploration is in four stages. First, we show that there is a need for local measures to tackle local problems: that is so for both physical and economic planning. Second, we show with theoretical arguments the types of effect that we would expect to be able to achieve by deliberately changing economic variables. Third, we can deduce from the first two stages that we can achieve many desired local effects (e.g. reduce many local problems) by changing local economic variables: that deduction is then illustrated with theoretical examples of ways in which we might expect local economic planning to be effective. Fourth, we show from the above argument that local economic planning could in some circumstances be used as an alternative to other varieties of local planning.

Local problems need local measures

One practical concern is with urban problems, problems which are experienced differently in some cities than in others, problems - that is - which are local in incidence and extent. It is necessary for our general argument to show briefly that, in order to tackle local problems, it is necessary to design and apply local measures, measures designed especially for the local conditions.

There is a sense in which it is true to say that most local problems are manifestations of national problems (e.g. Waide, 1975; Smith, 1975): there are problems of unemployment, low income, bad housing, etc. throughout the country, but concentrated more in some areas than in others. And that statement is helpful in that it reminds us that there are national measures for such problems - unemployment benefit, family income supplement, housing subsidies, etc. - which automatically favour the worst areas: an area with 2x men unemployed automatically receives twice as much unemployment benefit from central government as an area with x unemployed.

Does that mean that local measures are unnecessary, that national measures can tackle local problems? No, it does not! For uniform national measures can often do no more than scratch the surface of a problem. To penetrate deeper, the measures have to be appropriate to the conditions causing the problem, and the conditions usually vary from place to place.

Smith (1975) gives an example of local employment problems. "Employment-generating policies may have to start with demand acceleration probably at national level, but, on their own, demand policies may not solve the local employment problem because of the (local) influences (of jobs and

jobtakers), any one of which may be an absolute constraint preventing demand benefitting employment locally."

So local problems are best tackled with measures designed specifically for local conditions - i.e. with local plans. As Kirwan (1973, p.123) says "... to the extent that the problems of any area like Inner London which reflect a maldistribution of opportunities and incomes do flow from factors which have a genuinely local and spatial content, rather than from the national employment structure and income distribution, the role of social security payments and such types of expenditure is more palliative than curative: to this extent the local authorities may have more real leverage." (DEN's emphasis).[‡] And Falk and Martinos (1975) say that "(local) economic plans will make it possible to take more account of local considerations in developing planning agreements or in providing government assistance to industry" (p.28).

That general argument needs two qualifications. The first is that the local measures designed for the local conditions need not be applied in the same area as that in which the problems are experienced. An example from local physical planning is building new towns outside a conurbation in order to relieve overcrowded housing inside it. An example from local economic planning is raising prices in one area in order to increase the demand for the products of another area. (That geographical separation of cause and effect arises from the openness of

[‡] Note that Kirwan jumps one stage in the argument: local conditions require local plans which, he says, should be made by local authorities. Local plans could also be made by regional or central authorities. Which is the best level of government for making local economic plans need not concern us yet, not until chapter 7.

local economies, discussed in chapter 6.)

The second qualification is that there may always be a need for national minimum standards which the local plan should meet. Applied to physical planning, the argument produces a familiar picture: local problems tackled with local physical plans which meet national minimum standards (building regulations, Parker Morris standards, classroom sizes, etc.). We can imagine it applied to economic planning also: local problems tackled with local economic plans which meet national minimum standards (e.g. tax rates, conditions of employment, rules for monopolies).

The likely effects of changing economic variables

The next stage in the argument of this chapter is to show why it is that we would expect economic planning to be effective as a policy instrument. Economic planning works by changing economic variables: what policy variables are we likely to be able to influence by using economic variables as the instrumental variables? (we use the terminology of chapter 1). We answer that question by dividing the policy variables into three broad classes - employment, the physical environment, and social conditions. Then we show the ways in which we would expect economic measures to affect each of those three broad policy areas. (Most of our examples are from urban - and hence local - problems, but the arguments apply to national problems also.)

i) Policies for employment

Insofar as the problems in cities arise from employment, economic planning can act directly on the factors which influence the nature, types, location, and earnings of employment. For example, where the jobs are in private industry, they are provided in response to financial considerations: it is too simple to say that private industry acts only to maximise profits, but it is true that private firms tend to switch resources from low profit to higher profit production, and that private firms cannot for long produce in a way that makes losses.

Knowledge of how private industry makes decisions enables us to distinguish four ways in which economic planning can influence private employment decisions. First economic planning can forbid certain types, methods, or locations of production, as long as that leaves other types of production which are not unprofitable. Second, economic planning can alter the relative profitability of different types, methods, or

locations of production so as to persuade private industry to undertake the desired production. Third, economic planning can alter the general or particular demand for the output of private industry, thereby altering the general or particular level of employment. Finally, and usually not very effectively, economic planning can exhort private industry to act in desired ways.[Ⓜ]

Those four methods are examples of "indicative" economic planning (Oulès, 1966). "... there is normally no element of compulsion ...; the plan may have a certain psychological and educational effect but the methods to ensure that it is put into effect are indirect and consist of certain sticks and carrots" (p.37). The alternative is "imperative" economic planning. If that were applied to private industry in Britain, there is the danger of such industry closing or moving out of the country.

How can the employment decisions of public industries be influenced by economic planning? At first sight, it looks as though the possibilities are greater, in that "imperative" planning methods can be applied to the public sector. For example, the GPO could be ordered to double its intake of apprentices, the CEGB to move its headquarters to Bradford, the Water Boards to increase female wages by 50%, local authorities to provide nurseries for the children of their employees. However, imperative economic planning of the public sector is rarely tried in Britain, because the public industries have to meet certain financial goals

[Ⓜ] In Robertson's phrase, there are three ways of trying to persuade the private donkey to do what public planners want - the stick (our first method), the carrot (our second and third methods), and stroking the animals ears (our fourth method)! (Quoted in Sandford, 1972, p.6.)

which can be just as stringent as the profit requirement of private industry. The British government, in its attempt to control the public industries, has usually preferred to use indicative planning methods. So economic planning can be used to influence public employment decisions in similar ways to those by which it influences private employment decisions. In both cases, economic planning can have a fairly direct effect on employment.

ii) Policies for the physical environment

Insofar as the problems in cities arise from the physical environment (e.g. shortage of land, bad housing, the locations of facilities), economic planning can act by influencing the decisions to use or change the physical environment.

Private decisions (e.g. developers building houses or shops, owner-occupiers maintaining houses, car drivers choosing routes) are made partly or wholly in response to financial costs and returns, on which economic planning can act. For example, charging a rate poundage which varies with the land use, or providing subsidised loans for constructing certain buildings in certain locations, could be used to influence the physical environment in a desired way.

When buildings are provided or maintained publicly, the public authorities do not have the same aims as the private developer. Nevertheless, public developers are not free from financial constraints; their financial criteria may be different from those of private developers but they are probably no less constraining. Therefore, economic planning, by changing the financial conditions, can influence the public developer

of the physical environment just as much as the private developer.

iii) Policies for social conditions

Insofar as the problems in cities arise from social conditions, economic planning may be able to help. For example, the social conditions may be the result of the industrial situation - a preponderance of retired people because there is no industry, an unbalanced social structure because of the occupations in demand: then economic planning can act directly on the industrial situation and thereby indirectly on the social conditions. Or the social conditions may be of differential migration encouraged by the local tax situation: for example Eversley (1972) suggests that the middle classes are leaving London partly because of the way the rating systems works there. Then economic planning can affect that social situation by changing the method of taxation. Or the social condition may be of low incomes, not due to low earnings or unemployment but to a high proportion of people dependent on welfare payments (retired people, disabled people, etc.). Economic planning can act directly on that condition, through the level of welfare payments.

In order to draw conclusions, let us first remind ourselves that we are expressing urban problems in personal terms, in terms of the unsatisfactory conditions that people experience (appendix A to chapter 1). Our question about the likely effects of economic planning becomes, therefore: how can the conditions that people experience be improved by deliberately changing economic variables? We have answered: economic planning can affect employment conditions directly, it can affect physical conditions rather less directly, and it can affect social conditions rather indirectly.

Local economic planning to reduce local problems

The possible uses of economic planning have just been described - that is, we have described the types of problems which economic measures can tackle. Previously we explained why local problems need local measures. It follows, if our argument is correct, that certain local problems could be reduced by local economic planning.

In order to illustrate that theoretical argument, we now give some examples of how local economic powers might be used. The examples are expressed in the ends-mean chain described in chapter 1.

- i) Means : give discriminatory investment grants
- Intermediate variable : the amount or type of industry in the area
- Possible ends :
- : reduce unemployment
 - : raise individual earnings, perhaps of one income group more than another
 - : give greater job security to people (e.g. security against the effects of individual firms or whole industries declining)
 - : give greater economic stability to the area, by making it more independent of national and international economic changes
 - : offer better jobs (e.g. more suitable, more varied, more pleasant) to existing and to likely future residents
 - : growth, physical and economic (so that, e.g. economies of scale could be exploited, better social facilities could be offered).

ii) Means : provide specialised training or educational facilities, and give appropriate grants to those being trained

Intermediate variable : the number of people with specific skills

Possible ends : a better social structure (e.g. more varied, placing less of a burden on welfare services)
 : a labour force suitable by size and type for likely future jobs
 : a demand sufficient to maintain historic buildings, special educational services, a local orchestra, etc.

iii) Means : discriminatory site or property taxes

Intermediate variable : the amount, type, or location of land uses

Possible ends : a reduction in noxious industries
 : offices, shops, etc. which the area would not otherwise enjoy
 : a land-use pattern which causes less traffic congestion
 : a land-use pattern in which some land uses are more accessible (e.g. shops to housewives, open space to office workers).

iv) Means : provision of finance at special rates for local building projects

Intermediate variable : the amount, type, or location of building, rebuilding, and maintenance

- Possible ends : redevelopment in an area physically obsolete
- : the protection of precious areas from economic demands for redevelopment
- : the production or maintenance of more buildings of a specific type (e.g. housing).
- v) Means : levy local income taxes
- Intermediate variables : the income and expenditure of all, or specified types, of people
- : savings
- : personal and industrial mobility
- : industrial investment
- Possible ends : general stimulus to the economy of the area
- : stimulus to the production of a specific good or service
- : redistribution of income or of standards of living.
- vi) Means : deliberately run a large deficit or surplus on the local government budget
- Intermediate variable : the level of investment, savings, expenditure (undifferentiated by type)
- Possible ends : reduce unemployment
- : reduce local inflationary pressures.
- vii) Means : attract to the area appropriate industries by selective assistance, or the local authority itself set up appropriate industries

Intermediate
 variables : of all the intermediate goods and services used by
 existing local firms, a larger proportion is produced locally
 : the outflow of money from local firms is reduced
 End : local incomes are increased.

The uses to which local economic planning could be put are illustrated more fully and systematically in appendices A and B to this chapter. There, we take the full classification of local economic variables given in chapter 2, and for each class state whether or not a power is currently available, by whom it is or could be operated, the area in which it is or could be applied, and so on. We distinguish between those local economic powers which are currently available (appendix A) and those which are not but which might be useful if available (appendix B). By listing the powers systematically using a comprehensive classification of local economic variables, we not only give more examples of the possible uses of local economic planning, but also we illustrate the full scope of those possible uses.

Local economic planning as an alternative to other varieties of local planning

The examples just given above have suggested that, not only can economic means act on problems which are immune to physical and social means, but also that economic means can act on many of the same problems that physical and social means are currently being used alleviate. That is, local economic planning is an alternative way of tackling some local problems, alternative to other varieties of local planning.

Moreover, it is probable that some of the ends which other means are being used to pursue, could be pursued better by local economic planning. Criteria for evaluating policy instruments must contain value judgements: in my opinion, local economic planning would be a better means of planning if it were more effective, more efficient, or less undesirable as an application of state power. [¶]

Some examples will help to illustrate how local economic planning could be used as an alternative means of planning. The examples are of alternatives to local physical planning:

- in order to retain a variety of shops, planning permission can be required for a change in type of retailing: alternatively, desirable shop types in danger of disappearing could be derated. (See West Midlands County Council 1976 for suggestions to use rates as a planning instrument.)
- in order to protect a historic area from redevelopment, physical

[¶] People can be induced to behave differently by prohibition or persuasion. I favour the latter. Therefore, if a policy end can be achieved by the carrot of financial incentives rather than by the stick of physical controls, that is preferable to me.

change can be prohibited: alternatively cheap finance could be provided for approved maintenance in the historic area or for development in other, less important, areas.

- in order to tackle some of the problems in the inner areas of our big cities, housing and other amenities can be provided by physical planning: alternatively planning for local economic growth might enable the local residents to provide themselves with those improvements. (That was suggested by Wright, 1969 .)
- in order to protect households from industrial noise and fumes, industry and housing can be segregated by land-use zoning: alternatively, industry could be fined for emitting smoke and fumes, the level of the fine depending on the nearness of housing.
- more generally, Netzer (1974, chapter 5) discusses the advantages of replacing the yes/no control of land use zoning with the variable control of taxes and subsidies on different land uses.

In this chapter we have used theoretical arguments to explore the possible uses to which local economic planning could be put. We have discovered that the potential is great, in that there is a wide range of urban problems which, it seems, local economic planning could be used to tackle. Moreover, it is probable that that type of planning would be a better way of reducing some local problems than other, more familiar, types of planning. In chapters 5 and 7 we shall discuss ways of designing and organising planning agencies in such a way as to make local economic planning even more useful and effective.

Appendix A to chapter 3

Local economic powers currently available

We have defined local economic planning as that variety of planning which operates by influencing directly local economic variables (chapter 2).

A local economic power, by a consistent definition, is a power by which a local economic variable is directly affected. Here, and in appendix B to chapter 3, local economic powers are classified by the local economic variable affected.

For example, the power of a local authority to employ discriminately by age affects directly the demand by local firms for labour specified by age; so that power is classified under "employment". The power of central government to build advance factories in assisted areas affects directly the supply of industrial premises; so that power is classified under "supply". The classification of local economic variables which is used for this list of local economic variables is that given in chapter 2. Its main classes are:

- employment
- prices of goods and services
- demand for goods and services
- supply of goods and services
- price and availability of credit
- methods of production
- personal incomes
- imports and exports
- investment
- savings

Local economic planning is defined as that variety of planning which operates by influencing local economic variables directly, so the local economic powers are classified by the local economic variable directly affected. Occasionally, however, we depart slightly from that principle, as follows.

Sometimes, the local economic variable directly affected then changes another local economic variable. For example, the power to grant or withhold planning permissions affects directly the supply of industrial premises, which then affects the demand for labour. So the demand for labour is affected indirectly by the power to grant or withhold planning permissions. When the local economic variable indirectly affected is as important as, or more important than, the local economic variable directly affected, a separate item is shown. For example, the power of a local authority to undertake public works affects directly the supply of (e.g.) roads, but may be exercised in order to affect indirectly the demand for labour. Sometimes, that has led to one power being included twice, once for its direct and once for its indirect effect. For example, the power of a local authority to supply industrial land is included for its direct effect on the supply of inputs to local firms and again for its indirect effect on the demand for labour by local firms.

a) Employment

a.1)

variable affected	general	:	employment
directly	specific	:	demand by local firms for labour
	particular	:	demand by local firms for labour specified by age, sex, or skill
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to employ discriminately by age, sex, or skill irrespective of the need for labour, e.g. create supernumary posts for school leavers
notes		:	The Sex Discrimination Act 1975 might prevent a local council employing discriminately by sex, however good its motives.

a.2)

variable affected	general	:	employment
directly	specific	:	demand by local firms for labour
	particular	:	demand by local firms for labour specified by age, sex, or skill
public body which exercises the power		:	central government
local area to which the power is applied		:	ad hoc areas
power		:	to create work for specified types of labour in selected locations
notes		:	e.g. the Manpower Services Commission creating jobs to help school leavers in areas of high unemployment

a.3)

variable affected	general	:	employment
indirectly	specific	:	demand by local firms for labour
	particular	:	demand by local firms for building workers
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to undertake building works - i.e. a public works programme

a.4)

variable affected	general	:	employment
indirectly	specific	:	demand by local firms for labour
	particular	:	demand by local firms for building workers
public body which exercises the power		:	central government, nationalised industries, statutory undertakers
local area to which the power is applied		:	ad hoc areas
power		:	to undertake building works in selected locations
notes		:	e.g. government is spending £30M on improvements to schools and hospitals, in order to reduce unemployment in the building industry. (Guardian 29th October 1975.) The buildings for improvement could be chosen from areas where unemployment is highest

a.5)

variable affected	general	:	employment
indirectly	specific	:	demand for labour locally resident
	particular	:	demand for labour locally resident
public body which exercises the power		:	central government - Dept. of Industry
local area to which the power is applied		:	assisted areas
power		:	to give a "regional employment premium" (e.g. £3 weekly for every adult male employee) to local firms

a.6)

variable affected	general	:	employment
indirectly	specific	:	demand for labour locally resident
	particular	:	demand for labour locally resident
public body which exercises the power		:	central government - Dept. of Industry
local area to which the power is applied		:	assisted areas, and the rest of the U.K.
power		:	to attract or to prohibit new industry, by granting industrial development certificates, office development permits, by supplying land and buildings (see "supply"), and by giving grants for plant and buildings (see "price")

a.7)

variable affected	general	:	employment
indirectly	specific	:	demand for labour locally resident
	particular	:	demand for labour locally resident
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to attract new industry by providing housing, land, and premises (see "supply"), by providing finance (see "credit"), and by advertising the advantages of the local area
notes		:	The GLC and London boroughs are not allowed to advertise the industrial and commercial advantages of their areas - Local Government Act 1972 S.144

a.8)

variable affected	general	:	employment
directly	specific	:	wages paid by local firms
	particular	:	wages paid by local authorities
public body which exercises the power		:	county and district councils
local area to which the power is applied		:	counties and districts
power		:	to set wages and salaries paid to local government officer
notes		:	in practice, local authorities have very little scope to exercise this power. Pay scales are negotiated nationally, and rules about the pos- ition on the scale at which a per- son can be appointed are often spec- ified nationally (e.g. for head teachers it depends on the size of the school)

a.9)

variable affected	general	:	employment
indirectly	specific	:	supply of labour to local firms
	particular	:	number of workers available to part- icular firms moving into the area
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to give mortgages to key workers whom firms moving into the area wish to take with them

a.10)

variable affected	general	:	employment
directly	specific	:	supply of labour to local firms
	particular	:	number of workers available to firms moving into an area

public body which exercises the power	:	central government (Dept. of Employment)
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local area to which the power is applied	:	assisted areas
power	:	to make grants to "key workers" towards the cost of moving with their firms when their firms move to an assisted area. (Help for transferred workers: key workers scheme)

a.11)

variable affected	general	:	employment
directly	specific	:	supply of labour to local firms <u>and</u> supply of labour from local residents
	particular	:	occupational skills of local residents and local workers

public body which exercises the power	:	central government - Dept. of Employment
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local area to which the power is applied	:	ad hoc local areas, particularly where the need is greatest
power	:	to provide industrial training in Skill Centres

a.12)

variable affected	general	:	employment
directly	specific	:	supply of labour to local firms <u>and</u> supply of labour from local residents
	particular	:	occupational skills of local residents and local workers

public body which exercises the power	:	local education authorities
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local area to which the power is applied	:	non-metropolitan counties and metropolitan districts
power	:	to provide education and training
notes	:	such education and training can be directed towards the wishes of the local residents (who may not want to work locally) or towards the needs of local firms

a.13)

variable affected	general	:	employment
indirectly	specific	:	the supply of labour from local residents
	particular	:	the supply of female labour
public body which exercises the power		:	non-metropolitan county councils and metropolitan district councils
local area to which the power is applied		:	non-metropolitan counties and metropolitan districts
power		:	to supply places for children below school age at nurseries
notes		:	many women who want to work are not able to do so because they must look after their children below school age. Providing more nursery places enables such women to go to work

b) Price of goods and services

b.1)

variable affected	general	:	price
directly	specific	:	price of input to local firms
	particular	:	cost of labour
public body which exercises the power		:	central government - Dept. of Industry
local area to which the power is applied		:	assisted areas
power		:	to give a "regional employment premium" - see "employment" above

b.2)

variable affected directly	general	:	price
	specific	:	price of inputs to local firms
	particular	:	cost of industrial land
public body which exercises the power		:	county and district councils
local area to which the power is applied		:	counties and districts
power		:	to offer industrial land owned by the council on leases of less than 7 years at a rent below the market rate (Local Government Act 1972, section 123)
notes		:	this power can be used to offer a subsidy to a new firm while it is getting established

b.3)

- | | | | |
|-------------------|------------|---|---------------------------------------|
| variable affected | general | : | price |
| directly | specific | : | price of inputs to local firms |
| | particular | : | cost of industrial plant and premises |
- public body which exercises the power : central government - Department of Industry
- local area to which the power is applied : assisted areas: variation between special development areas, development areas, intermediate areas, Northern Ireland
- power : to make grants towards cost of industrial plant and premises, and tax allowances on the gross expenditure on such plant and premises. Also DI factories can be provided rent-free for the first 2 years for employment-creating projects
- notes : the details are available from the DI

b.4)

- | | | | |
|-------------------|------------|---|----------------------------------|
| variable affected | general | : | price |
| directly | specific | : | price of inputs to local firms |
| | particular | : | cost of reclaiming derelict land |
- public body which exercises the power : central government
- local area to which the power is applied : various areas
- power : to give grants to local authorities towards the loss incurred in reclaiming derelict land, the grant varying with the area (e.g. 50% normally, 100% in assisted areas)

b.5)

- | | | | |
|-------------------|------------|---|--|
| variable affected | general | : | price |
| directly | specific | : | prices to local firms and local households |
| | particular | : | cost of property repairs and new building |
- public body which exercises the power : county and district councils
- local area to which the power is applied : counties and districts
- power : to determine the cost of property repairs and new works done by direct works departments of counties and districts
- notes : there is a manual of accounting principles for direct works departments, issued by central government, to prevent direct works departments being used "uncommercially". However, the Chartered Institute of Public Finance and Accountancy and the National Federation of Building Trade Employers suggest that those principles are not

b.6)

variable affected	general	:	price
directly	specific	:	prices to local firms and local households
	particular	:	prices of local authority trading services such as markets, car parking, swimming baths, for which fees etc. are charged
public body which exercises the power		:	local authorities, usually districts
local area to which the power is applied		:	local authorities, usually districts
power		:	to set the level of charges for trading services
notes		:	if a local authority deliberately made big profits or losses on its trading services, it might be challenged by the auditor

b.7)

variable affected	general	:	price
directly	specific	:	prices to local firms and local households
	particular	:	prices of gas, electricity, water
public body which exercises the power		:	regional gas, electricity and water boards
local area to which the power is applied		:	the various regions into which the production and distribution of gas, electricity and water are divided
power		:	to set gas and electricity charges and water rates
notes		:	the statutory undertakers are, ultimately, answerable to central government, which can specify the pricing policies. For example, if the charges set would result in losses, the statutory undertaker would need central government approval for borrowing, and that approval might be withheld

b.8)

variable affected	general	:	price
directly	specific	:	price of consumer commodities to local households
	particular	:	rents of public housing
public body which exercises the power		:	district councils and new town development corporations
local area to which the power is applied		:	districts
power		:	to set rents of public housing
notes		:	power returned to local authorities after repeal of 1972 Housing Finance Act (but central government may limit rents or rent increases - Housing Rents and Subsidies Act, 1975, S11)

b.9)

variable affected	general	:	price
indirectly	specific	:	price of consumer commodities to local households
	particular	:	cost of repairs and improvements to housing
public body which exercises the power		:	district councils
local area to which the power is applied		:	General Improvement Area and Housing Action Areas within the District
power		:	to designate GIA's and HAA's, so that repairs and improvements to housing therein qualify for government grants
notes		:	proposals for designating GIA's and HAA's must be approved by central government, which may apply limiting criteria over the power to designate

b.10)

- | | | | |
|--|------------|---|--|
| variable affected | general | : | price |
| directly | specific | : | price of consumer commodities to local households |
| | particular | : | fares on public transport |
| public body which exercises the power | | : | county councils (in metropolitan counties, through the Passenger Transport Executive) |
| local area to which the power is applied | | : | counties |
| power | | : | to set the level of public transport fares |
| notes | | : | if the fares set would result in a less being made on the service, local authorities are dependent on central government paying a grant towards that loss. In 1975, some local authorities wanted to hold down fares for social reasons, but feared that a reduction in the central government grant would not enable them to do so (see Times 15 Oct 1975). |

c) Demand for goods and services

c.1)

- | | | | |
|--|------------|---|---|
| variable affected indirectly | general | : | demand |
| | specific | : | demand for outputs of local firms |
| | particular | : | demand for outputs of local firms |
| public body which exercises the power | | : | district, county, parish, and community councils |
| local area to which the power is applied | | : | districts, counties, and parishes |
| power | | : | to promote trade fairs, exhibitions, conferences, etc. at which the outputs of local firms can be advertised |
| notes | | : | Local Government Act 1972, S.144. An important example is the National Exhibition Centre, sponsored partly by Birmingham City |

c.2)

variable affected	general	:	demand
indirectly	specific	:	demand for outputs of local firms
	particular	:	demand for outputs of local firms
public body which exercises the power		:	central and local governments
local area to which the power is applied		:	districts, counties, and assisted areas
power		:	to attract new firms to the area (see "employment-demand for labour locally resident") or to undertake public works in the hope that the new local production will use inputs from existing local firms
notes		:	the hope is that local inter-industry links will develop

c.3)

variable affected	general	:	demand
directly	specific	:	demand for inputs by local firms
	particular	:	demand for labour by local firms
public body which exercises the power		:	
local area to which the power is applied		:	
power		:	
notes		:	demand for <u>labour</u> input by local firms is listed under "employment - demand by local firms for labour". Powers over the demand for other in- puts by local firms are not likely to be useful for local economic planning

d) Supply of goods and services

d.1)

- | | | | |
|-------------------|------------|---|---|
| variable affected | general | : | supply |
| directly | specific | : | outputs by local firms |
| | particular | : | "statutory" goods and services by public bodies |
- public body which exercises the power
- : e.g. district councils supply housing and education
 - e.g. regional boards supply gas, electricity, water, health services
 - e.g. area offices of central government - DHSS, DE, D I, etc. supplying services
- local area to which the power is applied
- : districts, councils, ad hoc regions and areas, etc.
- power
- : to supply and, if specified, to charge for, specified goods and services
- notes
- : these powers to supply goods and services are some of the most important powers of public bodies. They are important mainly because they are supplies to local firms and households: they will be considered as such later. Local public firms supply outside the area of production

d.2)

- | | | | |
|-------------------|------------|---|-----------------------------------|
| variable affected | general | : | supply |
| directly | specific | : | inputs to local firms |
| | particular | : | supply of gas, electricity, water |
- public body which exercises the power
- : regional gas, electricity, water authorities, answerable to central government
- local area to which the power is applied
- : ad hoc regional supply areas
 - : to supply and to charge for gas, electricity and water
- power
- notes
- : the regional bodies have some autonomy, and hence the supply varies slightly from region to region

d.3)

- | | | | |
|---|------------|---|---|
| variable affected | general | : | supply |
| directly | specific | : | inputs to local firms |
| | particular | : | industrial land and premises |
| public body which exercises
the power | | : | Industrial Estate Corporation of
England, and the Scottish and Welsh
Development Agencies |
| local area to which the power
is applied | | : | the "assisted areas", in particular
the "special development areas" |
| power | | : | to supply and service industrial
land and to build advance factories -
i.e. to build speculatively in
advance of demand. Also, to modernise
existing industrial premises. |
| notes | | : | this power was the first available
for Britain's industrial location
policy, and has been used since 1934 |

d.4)

- | | | | |
|---|------------|---|---|
| variable affected | general | : | supply |
| directly | specific | : | inputs to local firms |
| | particular | : | new office premises |
| public body which exercises
the power | | : | central government - Department of
the Environment |
| local area to which the
power is applied | | : | the London area only |
| power | | : | to withhold office development per-
mits for new offices of more than
15000 sq. ft. |

d.5)

- | | | | |
|---|------------|---|--|
| variable affected | general | : | supply |
| directly | specific | : | inputs to local firms |
| | particular | : | new industrial premises |
| public body which exercises
the power | | : | central government - Department of
Industry |
| local area to which the
power is applied | | : | non-assisted areas |
| power | | : | to withhold industrial development cert-
ificates for new industrial buildings
of more than 12,500 sq.ft. in the
South East, and 15,000 sq.ft. in the
other non-assisted areas |

d.9)

variable affected	general	:	supply
directly	specific	:	inputs to local firms
	particular	:	labour to local firms
public body which exercises the power		:	
local area to which the power is applied		:	
power		:	
notes		:	see under "Employment - the supply of labour to local firms"

d.10)

variable affected	general	:	supply
directly	specific	:	consumer commodities to local house- holds
	particular	:	housing to local residents
public body which exercises the power		:	district councils
local area to which the power is applied		:	districts
power		:	to supply, and to charge for, pub- lic housing
notes		:	of the many consumer commodities provided by local authorities (e.g. housing, entertainment, environmen- tal services) housing is by far the most important to tenants of such housing, and for other residents the other local authority consumer ser- vices are probably of little signifi- cance

e) Price and availability of credit

e.1)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	price and availability of loans to local firms
public body which exercises the power		:	ad hoc regional bodies created and financed by central government
local area to which the power is applied		:	ad hoc regions
power		:	to make loans, possibly at cheap rates, to certain local firms
notes		:	one example of this is the Highlands and Islands Development Board, financed nationally, but with much autonomy. Another example is the Council for Small Industries in Rural Areas. Bodies recently created with similar powers are the Scottish Development Agency (a budget of £200M for 5 yrs) and the Welsh Development Agency. The practice could be extended e.g. a private member's bill has been promoted to create regional development agencies in the North, Merseyside, and South West, similar to those in Wales and Scotland (The Guardian, 18 Dec 75)

e.2)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	mortgages to local firms
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	district and counties
power		:	to give a mortgage to a firm to erect a factory to its own design on land bought or leased from the authority. The building can be for industrial or commercial purposes.
notes		:	Under the Local Authorities (Land) Act 1963, S.3 the firm must have bought or leased the land from the local authority, so as to have a security for the mortgage

e.3)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	price and availability of loans to certain local firms

public body which exercises the power	:	central government - Department of Industry
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local area to which the power is applied	:	assisted areas
power	:	to give loans at concessionary rates or interest relief grants to employment-creating projects, and to give loans at commercial rates to other projects

notes	:	Industry Act 1972, S.7 gives wide powers for selective assistance. The normal forms of selective assistance are those described above
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e.4)

variable affected	general	:	finance
directly	specific	:	finance to local households
	particular	:	housing mortgages, specified by type of borrower, age of house, area of city

public body which exercises the power	:	district and county councils
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local area to which the power is applied	:	districts and counties, or parts thereof (e.g. GIA's, HAA's)
power	:	to lend money to private persons for house purchase. Loans can be made preferentially to certain borrowers (e.g. with lower incomes), for certain houses (e.g. older houses), and for certain areas (e.g. in GIA's or HAA's)

notes	:	but total amount available for local authority mortgages is controlled by central government
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f) Methods of production

f.1)

variable affected	general	:	methods of production
directly	specific	:	methods of production by local firms
	particular	:	methods of production by local authorities

public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to choose the method of producing their "statutory" goods and services
notes		:	there is strong central government advice to local authorities on how to perform local functions with maximum efficiency, and that reduces the scope for local choice

f.2)

variable affected	general	:	methods of production
directly	specific	:	methods of production by local firms
	particular	:	methods of production by local private firms

public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to advise local firms on production methods by, e.g., an industrial development officer, sponsoring conferences of local firms, providing managerial and financial advice

f.3)

variable affected	general	:	methods of production
indirectly	specific	:	methods of production by local firms
	particular	:	use of labour by local firms

public body which exercises the power		:	local and central government
local area to which the power is applied		:	ad hoc local areas
power		:	to provide education and training, in schools, skill centres, etc.
notes		:	local firms might be hindered from choosing a production method by the shortage of suitable labour: education and training schemes can prevent such a shortage

f.4)

- | | | | |
|--|------------|---|--|
| variable affected | general | : | methods of production |
| indirectly | specific | : | methods of production by local firms |
| | particular | : | methods of production by local firms |
| public body which exercises the power | | : | local authorities and central government |
| local area to which the power is applied | | : | local authority areas and assisted areas |
| power | | : | to change the relative prices (see "prices" above) or supply (see "supply" above) of local inputs in order to persuade local firms to change their production methods. |
| notes | | : | e.g. the control over the supply of land by town planning decisions could affect the price and availability of land for production, and hence production methods. The effect is likely to be small |

g) Personal incomes

Note: personal income = wages and salary
 + transfer payments
 (welfare payments, gifts, etc.)
 + incomes from rent, interest, profit

g.1)

- | | | | |
|--|------------|---|---|
| variable affected | general | : | personal incomes |
| | specific | : | personal incomes of local households |
| | particular | : | wages received by locally resident labour |
| public body which exercises the power | | : | |
| local area to which the power is applied | | : | |
| power | | : | |
| notes | | : | see "employment" above |

g.2)

- | | | | |
|-------------------|------------|---|---|
| variable affected | general | : | personal incomes |
| directly | specific | : | personal incomes of local households |
| | particular | : | welfare payments received by local households |
- public body which exercises the power
- : the personal social services - metropolitan district councils and non-metropolitan county councils
- local area to which the power is applied
- : metropolitan districts and non-metropolitan counties
- power
- : to help local households claim and receive all the welfare payments to which they are eligible
- notes
- : the Canning Town CDP (1975) reports that "social security payments and other welfare benefits are more than twice the rate in Canning Town than the average for London as a whole and form a high proportion of personal incomes" (p.58)

g.3)

- | | | | |
|-------------------|------------|---|--|
| variable affected | general | : | personal incomes |
| indirectly | specific | : | personal incomes of local households |
| | particular | : | distribution of disposable incomes of local households |
- public body which exercises the power
- : district councils
- local area to which the power is applied
- : districts
- power
- : to make a local rate rebate scheme (also the power to reduce or remit the payment of rates because of the poverty of the person liable to them)
- notes
- : the local rate rebate scheme must not be less generous than the national statutory scheme

g.4)

variable affected	general	:	personal incomes
indirectly	specific	:	personal incomes of local households
	particular	:	disposable incomes of local households
public body which exercises the power		:	district and county councils (districts are the rating authorities, and counties issue precepts to the districts)
local area to which the power is applied		:	districts
power		:	to set the rate poundage
notes		:	local power over the level of rates is fairly small: the income which a local authority needs to collect from the rates varies with the Rate Support Grant from central government, and the incidence of rating is determined by the District Valuer. Hence the only power of the districts is over the level of expenditure

g.5)

variable affected	general	:	personal incomes
indirectly	specific	:	personal incomes of local households
	particular	:	disposable incomes of local households
public body which exercises the power		:	central government
local area to which the power is applied		:	classes of districts (e.g. all urban, all rural)
power		:	to determine the amount and distribution of the domestic element in the rate support grant
notes		:	central government has not been explicit about how it distributes the money for this element of the RSG

h) Imports and exports

h.1)

variable affected	general	:	imports and exports
directly	specific	:	inflows of inputs to local firms
	particular	:	production location of goods and services bought by local authorities

public body which exercises the power	:	district and county councils
local area to which the power is applied	:	districts and counties
power	:	to produce goods and services incidental to its statutory functions rather than buy those goods and services from non-local firms

notes	:	e.g. Humberside County Council is to open its own book-binding dept (The Guardian, 22 Oct 75) to do work for which it previously paid outside suppliers
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h.2)

variable affected	general	:	imports and exports
indirectly	specific	:	inflows of inputs to local firms
	particular	:	production location of inputs bought by local firms

public body which exercises the power	:	district and county councils
local area to which the power is applied	:	districts and counties
power	:	to arrange trade fairs, conferences, etc. in order to encourage local firms to buy from each other

notes	:	see also "demand for outputs of local firms", above
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h.3)

variable affected	general	:	imports and exports
directly	specific	:	inflows of consumer commodities to local households
	particular	:	production location of commodities bought by local households

public body which exercises the power	:	district and county councils
local area to which the power is applied	:	districts and counties
power	:	to encourage local households to buy local products in local shops

notes	:	if, for example, Birmingham City Council organised a "Buy Birmingham" campaign, other local authorities might start a trade war in retaliation
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h.4)

variable affected	general	:	imports and exports
directly	specific	:	outflows of outputs of local firms
	particular	:	outflows of outputs of local firms
public body which exercises the power		:	
local area to which the power is applied		:	
power		:	see "demand for outputs of local firms" above

h.5)

variable affected	general	:	imports and exports
directly	specific	:	inflows and outflows of firm- government transfer payments
	particular	:	inflows and outflows of firm- government transfer payments
public body which exercises the power		:	central government
local area to which the power is applied		:	assisted areas
power		:	see "price" and "finance" above

h.6)

variable affected	general	:	imports and exports
directly	specific	:	inflows and outflows of firm- government transfer payments
	particular	:	allowances for corporation tax
public body which exercises the power		:	central government
local area to which the power is applied		:	assisted areas
power		:	to give tax allowances on capital expenditure on machinery, plant, and industrial buildings (see "price" above)

h.7)

variable affected	general	:	imports and exports
directly	specific	:	inflows of money for local capital formation, and other loans
	particular	:	loans by central government to local government and local firms
public body which exercises the power		:	
local area to which the power is applied		:	
power		:	see "finance" above

i) Investment

i.1)

variable affected	general	:	investment
indirectly	specific	:	new capital formation in the local area
	particular	:	
public body which exercises the power		:	central and local government
local area to which the power is applied		:	assisted areas, districts and councils
power		:	to give grants, loans, employment premia, permission for building, etc. (see "employment", "supply", "price", "finance", "imports and exports", above)

i.2)

variable affected	general	:	investment
directly	specific	:	new capital formation in the local area
	particular	:	local authority capital works programme
public body which exercises the power		:	district councils and county councils
local area to which the power is applied		:	districts and counties
power		:	to undertake capital works
notes		:	a local authority might want to use that power in order to increase investment generally in order to stimulate a multiplier effect (see "employment" above). But for most capital works the local authority will want to borrow, and central government consent might be required for that

j) Savings

j.1)

variable affected	general	:	savings
directly	specific	:	savings by local government
	particular	:	the size of the budgetted surplus or deficit in the local authority's finance
public body which exercises the power		:	district and county councils
local area to which the power is applied		:	districts and counties
power		:	to budget for a financial surplus or deficit
notes		:	at present, local authorities raise money in order to meet their spending. If they raised money as part of a local monetary policy, they might be checked by the auditor

Appendix B to chapter 3

Local economic powers not currently available, but which might be useful

In previous appendix we have listed those powers which are currently available for influencing directly (or indirectly) local economic variables. Here we suggest some new local economic powers, which might be useful if created. The method of listing and classifying the powers is that used in the previous appendix.

(Note: where there is no clear case for giving the new power to one public body or another, the spaces for "public body which should exercise the power" and "local area to which the power should be applied" are not filled in.)

aa) Employment

aa.1)

variable affected	general	:	employment
directly	specific	:	demand by local firms for labour
	particular	:	demand by local firms for labour specified by age, sex, or skill

public body which should exercise the power :

local area to which the power should be applied :

power : to require local firms to employ certain types of workers (e.g. men aged 50 and over)

notes : at present, the only similar power of this type is that firms nationally must employ a certain proportion of disabled workers. (See also "methods of production")

aa.2)

variable affected	general	:	employment
indirectly	specific	:	demand by local firms for labour
	particular	:	demand for labour, discriminating by occupation or industry

public body which should exercise the power :

local area to which the power should be applied :

power : to levy a local income tax which favours some industries rather than others, or some types of occupation rather than others

aa.3)

variable affected	general	:	employment
directly	specific	:	demand for labour locally resident
	particular	:	demand for labour locally resident

public body which should exercise the power :

local area to which the power should be applied :

power : to require local firms (including the local authority) to employ workers who live locally

notes : (see also "imports and exports")

aa.4)

variable affected	general	:	employment
directly	specific	:	wages paid by local firms
	particular	:	wages paid by local firms

public body which should exercise the power :

local area to which the power should be applied :

power : to set maximum or minimum wage rates, perhaps by type of worker (age, sex, occupation), by local areas

- aa.5) variable affected general : employment
- specific : supply of labour to local firms
- particular : occupational skills of local workers
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to require local firms to train workers (e.g. to train a specified number of apprentices)

bb) Price of goods and services

- bb.1) variable affected general : price
- specific : price of inputs to local firms
- particular : price of inputs to local firms
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to subsidise or to levy charges on goods and services bought privately by local firms, or to produce such goods and services publicly (see below) and charge other than cost price

notes : at present, the only powers for doing that are for industrial land and premises and possibly for local authority trading services and for gas, electricity, water (see above). The 1975 West Midlands County Council Bill asked for powers to produce and sell any good or service. If granted, that would allow the local authority to influence the price

- bb.2) variable affected general : price
- specific : price of inputs to local firms
- particular : cost of land and/or rent for premises of shops, offices, bus stations, industry, concert halls, etc.

- public body which should exercise the power : local authorities
- local area to which the power should be applied : local authority areas
- power : to set the price different from the market rate

notes : at present, private transactions are without subsidy or levy and are at market rates, public transactions are at prices set by the District Valuer. The only exception is for up to 7 year leases on industrial land (see above), and some local Acts (app.5.B). It might be possible, under the Community Land Act, for the local authority to transfer land it has acquired at current use value at less than the market development value

bb.3)

variable affected	general	:	price
directly	specific	:	price of inputs to local firms
	particular	:	cost of land for public and private housing

public body which should exercise the power :

local area to which the power should be applied :

power : to set the price different from the market rate

notes : at present, public buyers must buy, or pay an appropriation charge, at market rate, set if necessary by the District Valuer. It might be possible, under the Community Land Act, for the local authority to transfer land it has acquired at current use value, at less than market development value. If the new power were to be used to reduce the cost of housing to the user, the developer would have to pass on to the user the reduced land price

bb.4)

variable affected	general	:	price
directly	specific	:	price received by local firms for output
	particular	:	price received by local private firms for output

public body which should exercise the power :

local area to which the power should be applied :

power : to pay to local firms more for their products than for similar products of non-local firms.

notes : this is a form of subsidy to local firms

bb.5)

- variable affected general : price
- directly specific : price of consumer commodities to local households
- particular : prices of consumer goods and services available locally

- public body which should exercise the power :
- local area to which the power should be applied :
- power : to subsidise or levy charges on consumer goods and services provided privately and to require that the subsidy or levy be passed on to the consumer, or to supply such goods and services publicly (see below) at other than cost price, the subsidy or levy varying with the good or service

notes : **at** present, such subsidies (e.g. on bread, milk) or charges (e.g. VAT) are set nationally. The 1975 West Midlands County Council Bill asked for powers to produce and sell any good or service. If granted that would allow the local authority to influence the price. In the USA, states and city can levy a sales tax. That is generally uniform on all commodities, but it could be variable

cc) Demand for goods and services

cc.1)

- variable affected general : demand
- directly specific : demand for outputs of local firms
- particular : demand for outputs of local firms

- public body which should exercise the power :
- local area to which the power should be applied :
- power : to require that goods and services bought by public bodies be produced in specified locations

notes : **at** present, central government can give a small advantage to products from the assisted areas - see appendix C to chapter 2. If local authorities bought from local suppliers who were not also the cheapest suppliers, that action could be challenged by the auditor. (see also "imports and exports")

- cc.2)
- | | | | |
|-------------------|------------|---|-----------------------------------|
| variable affected | general | : | demand |
| directly | specific | : | demand for outputs of local firms |
| | particular | : | demand for outputs of local firms |
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to require that goods and services bought by private firms be produced in specified locations
- notes : (see also "imports and exports")
- cc.3)
- | | | | |
|-------------------|------------|---|-----------------------------------|
| variable affected | general | : | demand |
| indirectly | specific | : | demand for outputs of local firms |
| | particular | : | demand for outputs of local firms |
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to supply land and buildings or finance to new industry discriminately by industry
- notes : the aim would be to attract specific types of industry which would make close links with existing industry so as to create an industrial complex
- cc.4)
- | | | | |
|-------------------|------------|---|---|
| variable affected | general | : | demand |
| indirectly | specific | : | demand for consumer commodities by local households |
| | particular | : | demand for local services (e.g. shops, entertainment, building maintenance) |
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to affect personal incomes (see "personal incomes") in order to affect the demand for consumer services provided by local services
- notes : probably most consumer services used by local households will be provided by local firms
- dd) Supply of goods and services
- dd.1)
- | | | | |
|-------------------|------------|---|---|
| variable affected | general | : | supply |
| indirectly | specific | : | supply of outputs by local firms |
| | particular | : | industrial composition of the output of local firms |
- public body which should exercise the power :
- local area to which the power should be applied :
- power : to levy a local income tax which favours some industries rather than others

dd.2)

- variable affected general : supply
- directly specific : outputs by local firms
- particular : goods and services by private firms

public body which should exercise the power :

local area to which the power should be applied :

power : to encourage or to require private firms to supply specified goods and services, or prohibit the same

notes : at present, public bodies can do no more than change some of the conditions, within certain limits, which influence private production - e.g. the supply of statutory services, serviced land, etc

dd.3)

- variable affected general : supply
- directly specific : outputs by local firms
- particular : "non-statutory" goods and services by public bodies

public body which should exercise the power :

local area to which the power should be applied :

power : to supply goods and services not specified by statute and not incidental to statutory functions

notes : a corporation may do things which are incidental to performing its statutory functions (e.g. a local authority can set up a printing department to print its own publications) but not to do general commercial work (see Cross C.A., 1975, chap.1). That limits severely what it may supply. It is this power for which the 1975 West Midland County Council Bill asked

dd.4)

variable affected	general	:	supply
indirectly	specific	:	outputs by local firms
	particular	:	uses of existing buildings and types of new building supplied

public body which should exercise the power :

local area to which the power should be applied : it might be useful to be able to influence this in quite small areas (e.g. parts of a town)

power : to vary the rates paid by heraditaments, according to part of town

notes : at present, rateable values and derating are determined and applied nationally (by the D.V.). This new power would be useful mainly to influence supplies to local firms and households. Local authorities do have an optional power, however, to levy rates on empty buildings in order to bring them into productive use

dd.5)

variable affected	general	:	supply
indirectly	specific	:	supply of outputs by local firms
	particular	:	supply of outputs by local firms

public body which should exercise the power :

local area to which the power should be applied :

power : to carry out research on products, production processes, and markets important to local industries, to help those local industries to grow

dd.6)

variable affected	general	:	supply
directly	specific	:	inputs to local firms
	particular	:	supply of industrial or commercial premises or land discriminately by industry

public body which should exercise the power :

local area to which the power should be applied :

power : to supply premises and land to, or to withhold supply from, certain specified industries

notes : such a power could be used to change the industrial structure of an area e.g. to diversify the industrial base, to build up an industrial complex. At present local authorities have power to supply land and premises: if they used that power to supply discriminately by industry they might be challenged. If a local authority used its development control powers to withhold permission from certain industries for non-environmental reasons, it would almost certainly be challenged

ee) Price and availability of credit

ee.1)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	loans to local authorities for capital purchases

public body which should exercise the power : central government

local area to which the power should be applied : districts and county

power : to grant or withhold loan sanction when local authorities request it, depending on local economic conditions

notes : at present, the power is used to ensure compliance with national technical standards and to regulate the total amount of local authority spending. The power could be used also to encourage public spending in some areas and to restrict it in others

ee.2)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	price and availability of loans to local firms

public body which should exercise the power	:	local authorities
local area to which the power should be applied	:	local authority areas
power	:	to make loans, possibly at cheap rates, to local firms. It could be for certain types of investment only (e.g. job creating or job saving)

notes	:	at present, that power is held by <u>central</u> government only (which uses it sparingly), apart from the limited powers of local authorities to give industrial mortgages (see above). Some local authorities have acquired the power by local Acts - see appendix C to chapter 4
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ee.3)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	price of loans to local authorities

public body which should exercise the power	:	central government
local area to which the power should be applied	:	selected local authority areas
power	:	to lend money to local authorities at favourable rates

notes	:	at present, central government can give or refuse loan sanction to local governments (see above), but cannot vary the price of loans
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ee.4)

variable affected	general	:	finance
directly	specific	:	finance to local firms
	particular	:	availability of loans to local firms

public body which should exercise the power	:	.....
local area to which the power should be applied	:	.....
power	:	to require local banks to lend to local firms a minimum proportion of local deposits. It could be for certain types of investment only (e.g. job creating)

ee.5)

variable affected	general	:	finance
directly	specific	:	finance to local households
	particular	:	availability of housing mortgages to local households

public body which should exercise the power	:	.....
local area to which the power should be applied	:	.....
power	:	to require local banks and building societies to lend for mortgages on local houses a minimum proportion of local deposits.

ee.6)

variable affected	general	:	finance
directly	specific	:	finance to local households
	particular	:	availability of loans for house purchase and maintenance to local households

public body which should exercise the power	:	local authorities
local area to which the power should be applied	:	parts of local authority areas
power	:	to require local banks and building societies to make a certain proportion of their housing loans to houses in certain areas

notes	:	the aim would be to direct money for house maintenance into certain parts of a city, as a local authority can do at present with its own mortgages and grants (see above)
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ff) Methods of production

ff.1)

variable affected	general	:	methods of production
indirectly	specific	:	methods of production by local firms
	particular	:	methods of production by local firms

public body which should exercise the power	:	.....
local area to which the power should be applied	:	.....
power	:	to require local firms to give advance notice of changes in production methods which would require fewer workers

ff.2)

variable affected	general	:	methods of production
directly	specific	:	methods of production by local firms
	particular	:	methods of production by local firms

public body which should exercise the power :

local area to which the power should be applied :

power : to give grants to local firms to enable them to adopt different production methods (for example, higher labour productivity)

notes : that power has been exercised by central government for particular industries for particular periods e.g. for restructuring the textile industry, in the 1950's, e.g. for agriculture, now

ff.3)

variable affected	general	:	methods of production
indirectly	specific	:	methods of production by local firms
	particular	:	methods of production by local private firms

public body which should exercise the power :

local area to which the power should be applied :

power : to set up establishments as demonstration projects, to be a model to other local firms

notes : that method was used most effectively by Tennessee Valley Authority - see Lilienthal (1944)

ff.4)

variable affected	general	:	methods of production
directly	specific	:	methods of production by local firms
	particular	:	methods of production by local firms

public body which should exercise the power :

local area to which the power should be applied :

power : to prohibit or require specified production methods in local firms

notes : at present, the Factory Inspectorate has some powers to do that, but applicable nationally not locally, and for safety reasons only

ff.5)

variable affected	general	:	methods of production
indirectly	specific	:	methods of production by local firms
	particular	:	methods of production by local firms
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	to change the relative prices (see "prices" above) or supply (see "supply" above) of local inputs in order to persuade local firms to change their production methods
notes		:	e.g. a local minimum wage law would probably cause some local firms to use labour more productively

gg) Personal incomes

Note: personal income = wages and salaries
 + transfer payments
 (welfare payments, gifts, etc.)
 + incomes from rent, interest, profit

gg.1)

variable affected	general	:	personal incomes
directly	specific	:	personal incomes of local households
	particular	:	wages received by locally resident labour
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	see "employment", above

gg.2)

variable affected	general	:	personal incomes
directly	specific	:	personal incomes of local households
	particular	:	the distribution of personal incomes between local households
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	to operate a system of welfare payments, which favour some households rather than others
notes		:	this is a local power available to local governments in the USA

hh) Imports and exports

hh.1)

variable affected	general	:	imports and exports
directly	specific	:	inflows of inputs to local firms
	particular	:	production location of inputs bought by local authorities
public body which should exercise the power		:	local authorities
local area to which the power should be applied		:	local authority areas
power		:	to purchase supplies, discriminating by where the supplies are produced
notes		:	see also "demand for outputs of local firms", above

hh.2)

variable affected	general	:	imports and exports
indirectly	specific	:	inflows of inputs to local firms <u>and</u> consumer commodities to local households
	particular	:	production location of goods and services demanded locally
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	to produce locally goods and services which are demanded locally but not otherwise supplied locally - see "supply" above

hh.3)

variable affected	general	:	imports and exports
directly	specific	:	outflows of outputs of local firms
	particular	:	outflows of outputs of local firms
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	see "demand for outputs of local firms" above

hh.4)

variable affected	general	:	imports and exports
directly	specific	:	outflows of wages paid by local firms
	particular	:	residential location of workers employed by local firms
public body which should exercise the power		:	.....
local area to which the power should be applied		:	.....
power		:	to require local firms (including the local authority) to employ workers who live locally
notes		:	see "demand for labour locally resident" above

hh.5)

variable affected directly general : imports and exports
 specific : outflows of rent, interest, profit paid by local firms
 particular : outflows of rent paid for local land

public body which should exercise the power :
 local area to which the power should be applied :
 power : to own all local land, so that land rents remain in the area

notes : the Community Land Act will result, in time, in the local authority owning all development land in the area. But that is likely to be only a small fraction of all land in the area

hh.6)

variable affected directly general : imports and exports
 specific : outflows of rent, interest, profit paid by local firms
 particular : location of owners (equity shareholders) of local firms

public body which should exercise the power :
 local area to which the power should be applied :
 power : to require that a minimum proportion of the equity of a local firm be held by local residents

notes : some countries exercise an equivalent control over foreign holdings in national firms

hh.7)

variable affected directly general : imports and exports
 specific : inflows and outflows of inter-government transfer payments
 particular : grants and subsidies from central to local governments

public body which should exercise the power : central government
 local area to which the power should be applied : districts and counties
 power : to make grants to local authorities depend upon the economic condition of the authorities

notes : at present, specific grants depend upon the particular schemes, according to a national formula (e.g. council house subsidies); general grants depend upon the needs and resources of the local authorities (the RSG) but are not sensitive to local economic conditions

hh.8)

- variable affected general : imports and exports
- directly specific : inflows and outflows of person-government transfer payments
- particular : personal income taxes paid to central government

- public body which should
- exercise the power : central government
- local area to which the
- power should be applied :
- power : to vary income tax rates by area - see "personal income" above

hh.9)

- variable affected general : imports and exports
- directly specific : inflows and outflows of firm-government transfer payments
- particular : rate of corporation tax

- public body which should
- exercise the power : central government
- local area to which the power
- should be applied :
- power : to vary the rate of corporation tax according to the location of the firm

hh.10)

- variable affected general : imports and exports
- indirectly specific : inflows and outflows of money for capital formation and other loans
- particular : location of borrowers from local banks and building societies

- public body which should
- exercise the power :
- local area to which the
- power should be applied :
- power : to require that local banks and building societies lend for mortgages on local houses, or lend to local firms, a minimum proportion of local deposits

- notes : see "finance" above. For example, the Birmingham Municipal Bank (see its "Regulations") can take deposits from people living anywhere, but can give mortgages only for property within and around Birmingham

hh.11)

variable affected	general	:	imports and exports
directly	specific	:	outflows of money for non-local capital formation and other loans
	particular	:	the proportion of local savings that is invested locally

public body which should exercise the power	:	.....
local area to which the power should be applied	:	.....
power	:	to require local households and local firms to invest a minimum proportion of their savings in local firms

ii) Investment

ii.1)

variable affected	general	:	investment
indirectly	specific	:	new capital formation in the local area
	particular	:	investment locally by local firms or households

public body which should exercise the power	:	local authorities or regional councils
local area to which the power should be applied	:	local authority area or regions
power	:	to levy a local income tax which favours investment locally (possibly discriminating by type of investment) by local firms and households
notes	:	e.g. local firms could be given generous depreciation allowances e.g. local households could be given tax relief on interest payments for house improvements

ii.2)

variable affected	general	:	investment
directly	specific	:	new capital formation in the local area
	particular	:	investment plans of private firms

public body which should exercise the power	:	.....
local area to which the power should be applied	:	.....
power	:	to require that all private industrial investment proposals be submitted for government approval

notes	:	at present, all private investment proposals for new <u>buildings</u> must be so submitted (for planning permission). That could be extended to proposals for all investment
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Chapter 4

THE NEED FOR LOCAL ECONOMIC PLANNING

The difficulty in proving a need for local economic planning

In chapter 3 we argued that local economic planning would be an effective way of tackling many urban problems. It is the purpose of this chapter to explore a more extreme argument - that a more extensive use of local economic planning is needed in order to reduce urban problems. That is an argument which should be very carefully and critically explored, for a society should not (in my opinion) create new public powers and new forms of public intervention unless they are clearly necessary.

- i) In order to show that more extensive local economic planning is necessary, we are required to make the following four-stage argument:
- that certain urban problems are experienced to an extent which is publicly intolerable
 - that the reason for the persistence of those problems is that existing forms of planning are either incapable of tackling the problems effectively, or incapable of doing so without unacceptable side-effects
 - that those problems could be tackled effectively and without unacceptable side-effects, by local economic planning
 - that no other new form of planning could tackle those problems as effectively or with fewer undesirable side-effects.

The first stage of that argument is not difficult to make; for it depends on what we think is publicly intolerable, or what we think should be publicly intolerable. The third stage we have made above, in chapter 3, but only with arguments from theory, not from the experience of practice. The second and fourth stages, however, are very difficult to sustain. We now examine them.

ii) The second stage of the argument is that intolerable problems are experienced in our cities because existing forms of planning are incapable of tackling the problems effectively, or incapable of doing so without unacceptable side-effects. In order to support that argument we must prove the following three statements:

ii.i) - that the reason for the continued existence of urban problems is not the absence of the necessary political will and accompanying resources to tackle the problems.

It is not difficult to produce evidence of political interest in urban problems. For example, Eddison (1973, p.145) says, "The fact that within four years of each other three major government committees and two Royal Commissions reported on various aspects of the way local government works is evidence enough of a concern over a longer period about the shortcomings in local government's approach to fulfilling its obligations". However that evidence is a long way short of proof that politicians and their advisors have been assiduously using every means at their disposal to reduce urban problems.

ii.ii) - that the reason for the continued existence of urban problems is not that they are the product of too much government intervention in the workings of the free market.

It is not difficult, in my opinion, to refute the statement that urban problems are the product of government intervention. There are three reasons for rejecting it, and they are stated in appendix A to this chapter.

iii.iii) - that the sole reason for the persistence of urban problems is that existing forms of planning are incapable of tackling them

effectively, or incapable of doing so without unacceptable side-effects.

One version of that statement is that urban problems are a manifestation of structural class conflict, so that no form of planning within the Welfare State can do anything but soothe some of the irritations of the conflict. The main reason for considering this particular statement is that it is argued strongly by many of the Community Development Project teams. For example, Birmingham CDP (1975, p.36) concludes, "Only the workers in industry can solve the problems which face them. They alone can escape from the shackles placed on production by a system of private ownership ... the private owners of industry have failed to guarantee efficient production, jobs and even decent living conditions. It is time their workers began to consider the alternatives." Coventry CDP (1975, p.66) says, "... it is futile to try to tackle the situation simply by minor adjustments to, or re-arrangements in, the managerial, organisational, or technical apparatus of the Welfare State. As the root causes of the problem operate largely outside existing democratic control, they cannot be dealt with by tinkering with technical procedures..."

That version of the statement can be refuted by showing that one of its logical consequences is false, the consequence that urban problems can never be effectively tackled by adjusting Welfare State legislation. The refutation is in appendix B to this chapter.

The refutation of that particular neo-Marxist position still leaves us, however, with the general form of the statement - that the sole reason for the persistence of urban problems is that existing forms of planning are incapable of tackling them effectively, or incapable of

doing so without unacceptable side-effects. In order to prove that statement we need to examine the limitations, as suggested by theory and as tested practically, of every existing form of planning applied in every possible combination. The theoretical investigation is too long and difficult to be appropriate for this thesis, and the practical experience is too incomplete for adequate testing.

We can give theoretical arguments which suggest that some existing forms of planning are limited in their effects. We can give practical examples which suggest that new combinations of existing forms of planning will not be panaceas. We can give theoretical arguments of the desirability of increasing the variety of forms of planning. We can give practical examples of how local authorities have felt so limited by the existing forms of planning that they have sought and obtained new powers for new forms of local planning. We can give all those arguments and examples, and we do give them later in this chapter. However, although they support the general statement that the continued existence of urban problems is caused solely by the inherent limitations of existing forms of planning, they do not prove it. We have to leave the general statement "not proven".

iii) The fourth and final stage of the argument that local economic planning is needed is that no other form of planning could tackle the continuing urban problems as effectively as local economic planning could, or with fewer undesirable side-effects. In order to make that argument we would have to investigate and compare the predicted effects of applying all possible forms of urban planning. That huge task cannot be attempted here.

We have to conclude that we cannot establish that there is a need for more local economic planning. Instead, we now go on to give four indications that existing forms of planning are limited to an undesirable extent, and that wider use of local economic planning could remove some of those limitations. The four indications are the limitations in theory of physical planning, the limitations of co-ordinated planning, the need for variety in public policy instruments, and the desire of some local authorities to extend their practice of local economic planning.

The limitations in theory of physical planning

Physical planning, as defined earlier, is planning which makes direct changes to the physical environment as the means of achieving desired ends. The questions that need answering here are: how does physical planning work? What is the causal relationship between the means and the ends? By investigating that relationship, we can derive from theory predictions about the types of ends we would expect to be achievable (and what types of ends would not be achievable) by physical planning.

To help us to answer the question about the relationship between means and ends, we remind ourselves that we are approaching social problems by expressing them in terms of problems affecting people (see appendix A to chapter 1). Now we can rephrase the question as: what are the causal relationships between a person's problems and the physical environment?

To answer that, we find it helpful to use economic ideas to distinguish between three ways in which people use the physical environment - as a consumer good, as a producer good, and as the physical setting for personal relationships. We can now proceed to answer the question in three parts. Then a fourth and final part is added.

i) The physical environment as a consumer good

When a person lives in a house, relaxes in his garden, enjoys a bracing walk in the park, groans at a particularly ugly building, is inconvenienced by the layout of the local shopping centre, that person is "consuming" the physical environment. The jargon is from economics: it means that the physical environment is being used directly, it is valued or deplored for itself. In more jargon, it is a "final" good, the use

of which gives "consumer satisfaction" or "utility".

The physical environment as a consumer good may be poor, causing problems or dissatisfaction to the people using it. If the physical environment falls below a quality or standard which has been publicly set as the minimum acceptable, the resulting personal problems are the concern of a planning authority. Examples are houses with no running water, shopping streets on which there are many accidents to pedestrians, eyesores in national parks, unhealthy noise and fumes at the kerbside of motor roads.

When the physical environment is used as a consumer good, the causal relationship between problems and the physical environment is clear and direct. As a result, it is fairly clear how physical planning could work to alleviate the problem: it needs to improve the physical environment.*

There is, however, an important consideration which should not be overlooked (although it often is). Because we are expressing ends in terms of personal problems we cannot ignore the question: whose problem? and the related question: will the planning solve the problem of the person whom we want to help? Talking of physical planning when the physical environment is used as a consumer good, we face the question: will the improved physical environment be enjoyed by those who were previously suffering the poor physical environment? In other words, we cannot ignore the questions of distribution.

It is very easy to overlook questions of distribution in this type of

* Incidentally, we can now give a meaning to the term "a physical end" used in chapter 1. We can use it to refer to a case where the physical environment as a consumer good is unsatisfactory.

planning. The physical environment is valued for itself, so it is easy to think that, by making a bad physical environment better, the problem has been solved. For example, the house improvement grants available under the 1969 Housing Act have been used in some parts of London to improve dwellings to a standard which the previous tenants could no longer afford (see, e.g., Community Action, 1972): yet even when faced with this evidence, the then Minister of Housing refused to be perturbed by it, maintaining "Improvement is the name of the game" (Counter Information Service, undated, p.41).[‡]

Moreover, the powers for physical planning may not be able to ensure that the improved physical environment is enjoyed by those for whom it was improved. For example, the Panel of Inquiry into the Greater London Development Plan (1973) distinguished two basic housing problems in London - the condition of the stock, and the question of tenure and allocation (para 6.18). It recommended a physical planning policy to improve the condition of the housing stock (para 6.52), but admitted that that policy would not solve the problem of tenure and allocation (para 6.53): to do that the Panel had to recommend that central government make legislative and administrative changes (para 6.110).

In summary, we can say that when the physical environment is used as a consumer good and there are problems because the physical environment is inadequate in that respect, physical planning can tackle the problem

[‡] With housing, there is a theory that the required distributional effects may be achieved automatically. That is the theory of the "filtering" process, whereby benefits from the provision of good housing filter down to those in bad housing, as people moving into the good housing vacate slightly poorer housing, thus starting a chain-reaction. A recent empirical study in Scotland (Watson, C.J., 1973) shows that that does happen slowly, but that it is not an efficient way of helping those in housing need.

directly by improving the physical environment; but physical planning may not be able to ensure the desired allocation of that improvement.

ii) The physical environment as a producer good

Most people do not derive any satisfaction directly from a factory: it might be beautiful or ugly, but otherwise it is neither valued nor deplored for itself. The only value which the factory has is indirect: by its use, shoes are produced and people value shoes directly, or the factory provides a job for a worker. The factory is called a "producer good": its value lies in the contribution it makes to the production of consumer goods or services or to personal incomes. Similarly, a shop is valued because it helps the shopkeeper to produce retailing services, a school helps people to learn, roads help people to travel: shops, schools, roads are all examples of producer goods.

We are concerned with ends which are expressible as personal problems, so we want to look at shortcomings in consumer goods and services or in personal incomes. Consumer goods and services are provided with the help of the physical environment as a producer good: what can be achieved by changing the producer good?

The answer is: possibly nothing at all! If the sole reason why the consumer good or service is not provided adequately is that the physical environment is hindering its production, then changing the physical environment can remove the hindrance and allow the adequate production of the consumer good or service. In that case, physical planning can help to alleviate personal problems. If there are other reasons why the consumer good or service is inadequate (e.g. shortage of other inputs), physical planning can do nothing to help.

That conclusion can be expressed in a number of ways. The physical environment is a facilitator, which makes possible the provision of a consumer commodity. The physical environment is a necessary but not a sufficient condition for the commodity to be satisfactorily provided. All that physical planning can do is to remove obstacles: it can clear the path for the horse to get to the water, but if the horse is not thirsty it will not use the path, let alone drink the water. Let us continue the equine metaphor: Lomas (1975) likens the attempt to use structure planning (one application of physical planning) to promote economic development to "trying to win the Derby on a donkey".

If that is not understood, physical planning may be given impossible tasks to do. The Greater London Development Plan was strongly criticised by the Panel of Inquiry for making that mistake. We shall quote from its Report (GLDP, 1973).

On the attempt of the GLDP to influence the quantity and quality of jobs by physical planning, the Panel says: "We are driven, therefore, to the view that the local (town and country) planning authority can, within its area, over the long term, influence only marginally the tendency of employment to contract, alter, or retain its nature. It can somewhat more effectively exercise, or fail to exercise, its powers to inhibit expansion, but even here, the power of the market renders less than perfect the ability of the authority to check it consistently in the long term." (para 5.6).^x

^x It should be said that many industrialists would argue that the powers of physical planning to inhibit expansion are stronger than expressed here. See, for example, the argument that IDC control was killing industrial expansion in the West Midlands (West Midlands EPC, 1971).

The GLDP hoped not only to influence jobs through physical planning but also, thereby and in conjunction with physical controls over housing, to influence the population of London. About that, the Panel says: "In comparison with these factors (i.e. national habits affecting fertility and migration) indeed the influence that the local planning authority can actually exercise in London on the size, distribution, and composition of population is insignificant ... the number of houses or jobs available in an area the size of London acts only in a partial and not very predictable manner on population itself over a very long time span" (para 4.2).

The argument that physical planning is thus limited is substantiated with many examples in the Panel of Inquiry's chapter on employment. The GLDP had eight employment aims which it wanted to try to achieve by physical planning. The report of the Panel of Inquiry examines each of those aims carefully: we look at three of them in appendix C to this chapter.

In cases where the physical environment is used as a producer good, it is not possible for physical planning to operate actively to make desirable things happen: all it can do is to operate passively by inhibiting the conditions necessary for undesirable things, or allowing the conditions necessary for desirable things. In the examples above, the GLDP was trying to use physical planning actively. The Panel's criticism shows the limitations of physical planning when the physical environment is being used as a producer good.

iii) The physical environment as the setting for personal relationships. This is the third way in which we use the physical environment - as the

physical surroundings in which we live and move and have our mundane being, in which we talk (or do not talk) to our neighbours, in which our children walk to school collecting their friends as they go along, in which we greet passers-by as we take the dog for a walk. Are there any causal connections between the physical environment used in this way and personal problems? For example, is the physical environment the cause in any way of loneliness in a new housing estate, of anomie in the centres of big cities, of vandalism or mugging? That question must be answered before physical planning is set to work to solve such problems.

All the evidence suggests that physical environment is a facilitator in this use too. For example, if people are lonely because the physical design of the housing estate makes it difficult to meet neighbours, then physical planning can redesign the estate in such a way that meeting is easier and, in that way, help to reduce loneliness. But if people are lonely because they have nothing in common with their neighbours, redesigning the housing estate will have no effect on loneliness.

The conflicting theory, the theory that the physical environment can influence actively personal relationships, is called "physical determinism". It was first tested empirically (and found wanting) by Kuper (1953). (For a review of the literature see Lee, 1971, and for a critical discussion see Broady, 1968.) A particularly extreme application of the theory is made by Crosby (1965) in an argument for redevelopment on a large scale. "It is only by an achievement on the scale of Regent's Park that an environment of sufficient power is created to change the community's way of life. There is no doubt that these places (Crosby mentions Edinburgh New Town, Bath, and Bloomsbury) exerted a

profoundly civilising effect on their inhabitants, and they still do so - sophisticated sins, but no vulgar brawling" (p.83).

Some more examples of the physical environment as the facilitator (or enabler) of personal relationships will be given briefly. Jacobs (1965) points out that a city is built on trust, that frequented and over-looked pavements enable that trust to grow, and that planning to get people "off the streets" causes trust to evaporate: but if people live in fear of their neighbours, they will not use pavements however well designed. Newman (1972) claims that housing designed so that the circulation spaces are privately "defensible" provides the conditions which inhibit vandalism or mugging: but if the residents are well-behaved for other reasons, indefensible spaces will not tempt them to crime. Heraud (1968) shows that attempts have failed to attract into new towns a population with a "balanced social structure" by providing a variety of house types: Willmott has shown (1963) that where there has been no variety of house types there has resulted an unbalanced social structure.

So physical planning is limited in those cases too: it can inhibit things happening and can remove hindrances to things happening but it cannot cause things to happen. ^x

^x Both when the physical environment is used as a producer good and when it is the setting for personal relationships it is a facilitator. The limitations which that imposes on physical planning are slowly being recognised. It might be that recognition which has caused some recent writers to claim that the aim of physical planning should be to remove obstacles to personal freedom (e.g. Donnison 1972, Milton Keynes Development Corporation 1970, Cherry 1970) a claim at once both ambitious and modest.

iv) The question of time

There is a further way in which physical planning is limited: in many cases it cannot act fast enough. The actions which physical planning proposes for the physical environment can be of two kinds - constructing new road, buildings, etc.; and changing the use of existing roads, buildings, etc. (e.g. closing a road, allowing a park to be used for playing fields). New construction takes a long time, and hence cannot be used for the quick solution of a problem nor for solutions which must be responsive to variations in the size of a problem.

The Panel of Inquiry into the GLDP (1973) gives an example. "Broadly speaking, it is quite impossible for a (town and country) planning authority to operate quickly enough on labour demand or supply to have any effect in under three years: for example, it would probably take longer than that for a developer to get the necessary permissions and complete the building of a factory or office building. The only measures which would be likely to act within such a short period would be fiscal and monetary measures ..." (para 5.26) (i.e. economic measures).

In summary, this section has argued from theory that physical planning is limited in what it can achieve. It is limited in the extent to which it can distribute environmental improvements, it is limited in that it can allow things to happen but not make things happen, and it is limited in that it cannot act quickly. As we said in chapter 1, "Town planning is intrinsically limited in its attack on social problems by the nature of its powers: it is, essentially, physical planning, and there must be no presumptions that physical planning powers can be used to achieve everything".

The limitations of co-ordinated planning

There is an argument prevalent that one of the reasons for the persistence of urban problems is that the existing forms of planning are being applied in an unco-ordinated way. Here, we first state some official expressions of that argument, then we examine the evidence for it from three urban studies.

i) The argument

The argument that some urban problems are being untouched because existing forms of planning are not properly co-ordinated, carries within it the implication: better co-ordination of existing forms of planning will reduce the urban problems. That implication has been adopted by central government in two recent policy studies; so, presumably, either central government accepts the argument or is testing it critically. The two recent policy studies are the Department of the Environment's Six Towns Studies and the Home Office's Comprehensive Community Programmes, both attempts to tackle urban problems by better management, by better use of existing planning powers and organisations.

i.i) The terms of reference for the Six Towns Studies include, "To formulate guidelines to help local authorities in developing a "total approach" to the urban environment" (Department of the Environment, 1973, "The Sunderland Study"). The foreword to that study explains, "Local authorities have an immense wealth of experience and technical expertise ... in carrying out a wide range of environmental functions such as housing, control of development, providing public amenities, refuse collection, and so on. The main concern of these studies is not how these individual functions are discharged, but how they fit together to make a total impact on the environment of the town as a whole."

The Lambeth Inner Area Study (see chapter 9) was one of those Six Town Studies. Its particular terms of reference include "The study will consider the full range of relevant local authority responsibilities and the central government functions relating to them within the DOE sphere and their relationship to other services. It will examine whether the problems of the area can be dealt with more effectively by bringing together the administration of the local authority's functions on an area basis." (IAS/LA/1, 1974, p.2.)

i.ii) A similar approach is being taken by the Home Office with its Comprehensive Community Programmes. These aim to tackle urban deprivation, largely by the better use of existing powers: that includes closer co-ordination of the activities of central and local government in providing (e.g.) employment and training services. The CCP's are to be administered by local authorities, which may request extra money from central government out of the Urban Aid fund. At present (1977) CCP's have been started in Gateshead and Motherwell: three pilot CCP's were to start in Bradford, Wirral, and the London borough of Wandsworth, and a demonstration CCP was started in the Birmingham Metropolitan District (some results from which are reported in chapter 10).

ii) Evidence for the argument

Is there any empirical evidence that some local authorities are technically inefficient in that they are applying their powers in an unco-ordinated way, as a result of which their urban problems are not being tackled effectively? We shall examine evidence from three recent studies - the Inner Area Studies in Liverpool and Lambeth and the Community Development Project in Coventry.

ii.i) The Liverpool Inner Area Study chose, at the beginning of its work, the central theme of "the planning, administration, and implementation of city-wide programmes at an area level" with one of the main issues "the effectiveness of government intervention in the inner areas" (IAS/LI/4, p.14). That is, the Liverpool Study started with a hypothesis that better public management would alleviate some of the problems in its area, and then looked for evidence. It found:

- people living in the area were conscious of apparent inflexibility and inconsistency in some Corporation policies (especially housing); and a lack of facilities to meet the needs of certain groups, in particular young people
- Corporation staff were concerned about the appropriateness and effectiveness of local services; the lack of any comprehensive source of area-based information, for the Corporation and public alike; and an absence of any responsibility to examine and provide for the needs of particular areas in a corporate manner
- many people living and working in the study area felt alienated from the Corporation and unable to influence its programmes and policies which directly affect them.

(IAS/LI/3, p.2)

That is some slight indication that planning better co-ordinated at the local level might be more effective in tackling problems. Accordingly, the Liverpool Study has proposed area management, which is being applied experimentally in one part of the local authority. It is too soon to say whether the new management is better than the old, and if so by how much it will reduce the problems in that area.

ii.ii) The Lambeth Inner Area Study found little evidence of poor co-

ordination serious enough to be blamed for the persistence of the social problems there. The only example of a "partial approach" (as opposed to the "total approach") with serious consequences was in the delivery of social services. The latter are provided by several Lambeth departments, by Inner London Education Authority, and by several central government departments. Even within Lambeth L.B.C., the different departments use different geographical boundaries, and the disagreement on boundaries between Lambeth, IIEA, and central government is total. As a result, users of the social services were confused and social workers were uncertain to whom to pass cases which they could not handle. That analysis led to proposals for a more co-ordinated provision of social services (IAS/LA/3). That was the only serious example found of a partial approach in Lambeth, a well-managed London borough practising the latest administrative methods.

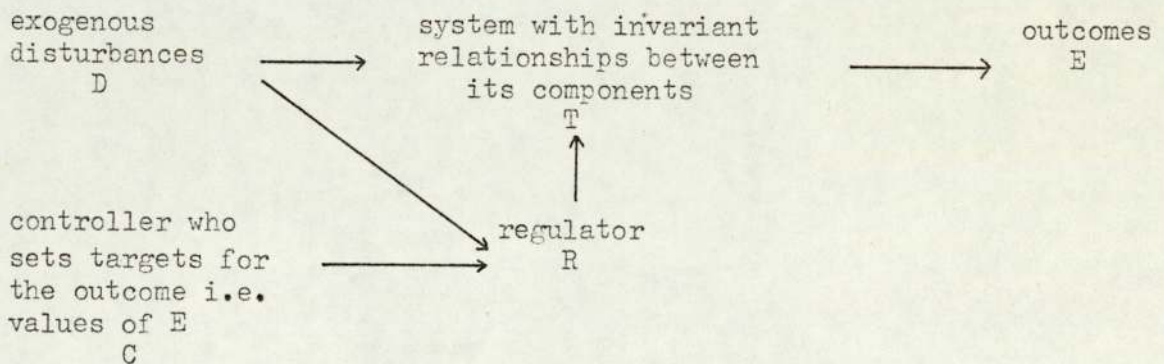
ii.iii) Coventry is another well managed authority, and it was studied by a Community Development Project team. "It would be difficult to accuse Coventry Corporation of mismanagement or failure to plan properly. In fact Coventry has pioneered several new forms of administration ... Many of these new approaches have now been taken up and developed extensively in the public sector ... In fact, Coventry is probably as sophisticated as any local authority in its managerial and technical skills. It is therefore a good place to assess the extent to which "total approaches" or "comprehensive programmes" based upon corporate management are a relevant strategy for tackling urban problems" (Coventry CDP, 1975a, p.105). Yet we find in parts of Coventry (notably Hillfields, the site of the CDP) a range of urban problems which skillful and co-ordinated use of existing legislation has not removed.

Those three studies provide a little evidence for the argument that poor co-ordination of existing forms of planning is contributing to the persistence of urban problems. However, the argument is not strongly enough supported for us to be able to deduce from it - therefore, better co-ordination of existing planning will help significantly to reduce urban problems. In other words, while we should not ignore the possible benefits from using existing forms of planning in a more co-ordinated way, neither should we assume that there are no limitations on what it might achieve.

The need for variety in public policy instruments

The theory of cybernetics contains the Law of Requisite Variety, which McLoughlin (1973, p.261) applies to public planning as follows. "Truly comprehensive policy statements by governments should have at least as much variety as the urban community systems being governed ..." For the purpose of our general thesis about urban policy, we can interpret the Law as being about the need for variety in public policy instruments. For it is a corollary of the Law of Requisite Variety that one possible reason for the persistence of urban problems is insufficient variety in the policy instruments. We are investigating the idea of extending the practice of local economic planning, which extension would increase the variety of possible urban policies.

The Law of Requisite Variety (Ashby, 1956) can be described as follows. Suppose that there is a system of components D, C, R, T, E connected as follows:



If there is a given variety in D ($= V_D$ i.e. the number of states which D can have) it will cause a given variety in E ($= V_E$) in the absence of R.

The Law says that, if it is desired to reduce V_E , than can be done only by introducing variety in R (i.e. designing R so that it can take a

number of states). And the Law says that, if it is desired to reduce V_E further, that can be done only by introducing further variety into R.

That Law can be applied to urban policy-making in the following way. A city can be considered to be a "system with invariant relationships between its components" - i.e. T. The regulator, R, is the institution which wields policy-making and policy-implementing powers over T (e.g. the planning department). The range of the powers and the number of policies possible with them can be taken as a measure of V_R . (The controlling institution, C, is the council and its committees.) The "outcome" E from the city can be described as follows. Suppose H' is a desired housing condition and H is the actual condition: by describing the outcome as $(H' - H)$, we express it as an outcome the variety in which we want to reduce. That can be done, says the Law of Requisite Variety, only by increasing V_R .

The relevance of the Law to our thesis is that it tells us that there is a limit to what can be achieved by the use of existing forms of planning if those contain, even when combined in new ways, insufficient variety. The Law repeats, but with different reasoning, the argument made twice already - that existing forms of planning are limited in what they can achieve. Moreover, the Law suggests that local economic planning, by increasing the variety of policy instruments, could remove some of those limitations.

The desire of some local authorities to extend their practice of
local economic planning

We have now given three indications that existing forms of planning are limited to an undesirable extent, and one indication that wider use of local economic planning could remove some of those limitations. Those three indications are from theory, and now we present some empirical evidence which supports indirectly the theoretical arguments. It is evidence that some local authorities have felt so limited by the existing forms of planning that they have tried to extend their practice of local economic planning.

- i) First, there is evidence that many local authorities have recently started to use their existing powers in new ways, in ways that fit within our definition of local economic planning. In many cases, local authorities have been led to that experimentation by the recent rise of a particular problem - local unemployment. The local authorities have realised that their existing forms of planning are inadequate to tackle serious local unemployment, and so are experimenting with applications of local economic planning. The empirical evidence is presented in appendix B to chapter 2 - examples of local economic planning implemented - and in chapter 10 - employment problems and programmes in Birmingham.
- ii) Second, there is evidence that some local authorities, and some who would advise local authorities, want to go further and apply local economic planning more widely. The empirical evidence is presented in appendix C to chapter 2 - examples of local economic planning suggested - and in chapter 9 - problems and possibilities in Lambeth. Again, the stimulus for many of those suggestions has been rising unemployment, and the wish to tackle it with policy instruments more effective than most existing forms of planning.

iii) Third, there is evidence that some local authorities have gone even further, and have taken the necessary steps to enable themselves to practise local economic planning more widely. It is argued in chapter 8 that significant extensions of local economic planning would require new powers created by new Acts of Parliament. A few local authorities, finding themselves too limited by working within existing forms of planning and reasoning that local economic planning would remove some of those limitations, have obtained local economic powers under local Acts of Parliament. Some examples are given in appendix D to this chapter.

In summary, the fact that some local authorities have recently started to extend their practice of local economic planning suggests that they themselves have experienced the limitations of existing forms of planning and have reasoned for themselves that local economic planning would escape some of those limitations, thus enabling some local problems to be tackled more effectively.

The usefulness of local economic planning

In this chapter we have not been able to argue that local economic planning is needed. Instead, we have presented some support for a more moderate argument. The argument thus supported (but in no way proved) is that the more common forms of local planning currently practised are limited in the effectiveness with which they can tackle some urban problems, and that if local economic planning were implemented more widely, the practice of local planning as thus extended would be more effective. In short, whereas chapter 3 demonstrated the possible uses of local economic planning, chapter 4 has demonstrated the probable usefulness of local economic planning.

Appendix A to chapter 4

Urban problems as the product of too much government intervention

"Slums, urban decay and poor housing persist chiefly because the public acquiesce in rent controls, housing subsidies, short-sighted property taxes, repression of interest rates, and 'make-work' restrictions in the building and construction trades." (Butt, 1971, p.96).

This is the argument that urban problems are caused by imperfections in the free market, including those imposed by governments intervening in market processes. The recommendation is that the only public intervention in market processes should be that necessary to keep the market perfect (e.g. to prevent monopolies): then many urban problems would vanish.

There are three reasons for disagreeing with the argument, one theoretical, one practical, one practicable.

i) The theoretical reason is that the argument that urban problems are caused by imperfections in the free market is untenable. That argument might be based on welfare economics, on the theory that maximum welfare is achieved by a perfect market. However, important imperfections abound in a city, particularly externalities: external economies of scale are one of the reasons for the existence of cities. And the theory of the second best (Lipsey and Lancaster, 1956 qualified by Mishan, 1962) tells us that where there are significant market imperfections, to remove other imperfections in related sectors will not necessarily improve social welfare. Or the argument might be based on positive economics, from which predictions are made that housing subsidies, rent controls, etc. cause slums etc. In that case, we want to see empirical tests of those predictions. That desire takes us to the practical reason for disagree-

ing with the argument.

ii) The practical reason is that the theoretical argument has never been supported in practice. To our knowledge, there have been no laissez-faire economies which have not had slums, bad housing, low incomes, etc. If the laissez-faire apologists answer that there has been no fair test of their theories because no economy has been "perfect" enough, then at the least we can say that their case is not proven: at the most we can suggest that it is unprovable.

iii) The practicable reason is that, in Britain, government intervention in market processes in cities has been piecemeal and sequential. A problem is perceived, legislation passed to tackle it, that legislation helps but has bad side effects, more or modified legislation is passed to combat the side effects, and so on. Housing is a good example. Postwar rent controls were lifted in the 1950's, Rachmanism was one consequence so the 1965 Rent Act was passed to protect unfurnished tenants, protection was later extended to furnished tenants, now students are to be exempted from that protection. To remove some of that housing legislation would be to expose people to the shortcomings of the remaining legislation. And to remove all of the legislation is not practicable.

Appendix B to chapter 4

Urban problems cannot effectively be tackled by adjusting Welfare State legislation

The argument as developed by the Comprehensive Development Project teams starts by saying: we should look not at the immediate symptoms (e.g. poor physical environment) but at the underlying causes (see, e.g., Coventry CDP, 1975, p.23). At first sight, that looks sensible; at second sight we see flaws. The analogy is with a doctor treating a patient. Even if it were valid to make analogies between a person and a society (and there are grave dangers in so doing - see Needham, 1977a, chapter 1) it is not always good medical practice to treat the root cause: if I have a hormonal disturbance which causes a skin rash, and if I can control that skin rash with an ointment which has no side-effects, then I am cured to my satisfaction. (It is for that reason that we make no attempt in this work to discover the "real" causes of the urban problems.)

For example, suppose it were true that "the persistence of Hillfields as an under-developed area is functionally related to the political economy of Coventry as a whole ... (and that) its existence and that of other similar areas is "advantageous" to the prosperity of other interests in the city" (Coventry CDP, 1975, p.66). The argument is mainly that the city needs a reserve of cheap labour: hence there are people earning low incomes and suffering unstable employment, who move into areas of cheap housing. Even if that were true, could not the Welfare State provide such people with good living conditions and supplemented incomes?

Coventry CDP (1975, chapter 6) describes such Welfare State attempts, and the failure of them. The cause of the failure might be that inappropriate

or inadequate institutional changes were tried: that report (p.40) puts the blame instead on "forces operating largely outside local democratic control (changing land values, interest rates in the money markets, the operations of private landlords and speculators, the pattern of central government expenditure, and the employment and investment policies of industry)."

For that blame to stick and to explain social problems in other British cities, it is necessary to argue one of two cases. One is that, whenever social problems arise because of the capitalist system, and a Welfare State government acts to alleviate those problems, the capitalist system will adjust in some way either so as to negate or make impossible the social improvements or so as to shift the problem on to other people or areas. That is to argue that society is like a self-regulating system, with negative feedback to maintain homeostatis, Harvey (1973, p.289) says that such an argument is permissible within Marxist methodology: "The totality seeks to shape the parts so that each part functions to preserve the existence and general structure of the whole." We disagree with that method, arguing that as society has not been designed so as to achieve a system goal, functional and teleological explanations of society are inadmissible (Needham, 1977a, chapter 1).

The alternative case in support of the argument that Welfare State legislation can provide no solution is as follows: the State is the apparatus of the capitalist class (e.g. Eaton, 1963, p.214, and the Communist Manifesto, Section I "The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie "); to alleviate urban problems would be detrimental to the interests of that class; therefore

the State will not alleviate urban problems. That argument is not that Welfare State legislation is no solution as much as that effective Welfare State legislation will never be (and, by extension, never has been) applied. If the desired effect is equality of power, that may be so: if the desired effect is improved housing, unemployment pay, protection for trade unions to press for higher pay, state training schemes, etc., the argument is patently false.

Appendix C to chapter 4

The limitations of physical planning in achieving employment aims

In the main text of chapter 4 we examined the limitations in theory of physical planning, taking many of our examples from the Report of the Panel of Inquiry into the GLDP (1973). The examples of the limitations of physical planning in tackling employment problems were too detailed for the main text: yet they are important for our main thesis and they are relevant to chapter 10, so we give them here.

The GLDP was designed to achieve eight employment aims. The Panel commented on all eight, but here we report on three only.

The first of the GLDP's employment aims is to relate labour supply and labour demand. On this, the Panel says: "As to the instrument of policy ... this must necessarily be the grant of planning permission for floorspace. Yet if floorspace control is to be used to control volume of employment within the medium term there must exist some known relationship between floorspace and people employed for that period. At the Inquiry we reviewed the evidence put before us and expressed our clear view that no such relationship existed" (para 5.33). (Some of this evidence, that relating to the use of Office Development Permits, is discussed in para 5.65.) The report goes on: "We do not believe that it is possible to attempt to set targets in terms of figures of employment, five or so years ahead, and then to use physical land planning policies to bring about that result. The techniques and the powers simply do not exist." (para 5.34)

The second aim is to improve real income per capita or per worker. "The

aim could be achieved only if there were effective means of encouraging those employments with higher wages to enter, remain, or expand in London and discouraging other employments. The planning powers, that is the grant or refusal of planning permissions and such policies as making land available and aiding firms financially, do not provide such an effective means" (para 5.41). (We might think that "aiding firms financially" would be effective. It is not, however, a physical planning power.)

Another aim is to increase output or productivity. The Panel argues that physical planning cannot achieve that either. "Much discussion took place ... to establish whether it is possible to set up economic criteria to apply to planning permissions, so that a policy could be laid down for the achievement of this aim. We are not convinced that it would be possible to set up such criteria" (para 5.73).

In a later study, Palmer (1975) reviews the attempts by local authorities to plan employment by Structure Planning powers and procedures, and is similarly sceptical about the effectiveness of those physical planning methods.

Appendix D to chapter 4

Some powers for local economic planning given by local Acts

Here we list some powers for local economic planning available only to those local governments which have promoted local Acts to give themselves the extra powers. We make no claim to list all the powers for economic planning which have been obtained through such special local Acts. Minns and Thornley (1976) describe the ways in which some other local Acts are being used for local economic planning.

Acquisition of land for development

The Durham County Council Act, 1963, gave powers to the Council to purchase land by agreement or compulsorily, for any development of building or works for the benefit or improvement of the County, or for facilitating the provision of premises for, or otherwise assisting, activities providing employment (section 6).

The Cumberland County Council Act, 1964, contained the same clause (section 15).

The Northumberland County Council Act, 1970, gave more limited powers: the Council may purchase by agreement land in the County for any activity providing employment (section 4).

The power to acquire land for the "benefit improvement or development of their area" has now been given to all local authorities by the Local Government Act 1972 (section 120), but only for purchase by agreement, not compulsorily (section 121). So local authorities need no longer ask for the power through local Acts.

Loans for erection etc. of buildings

The Durham County Council Act, 1963, gave powers to the Council to lend money to a person to enable him to buy or lease land in the area; also to lend money to a person who already owns or leases land in the area, to enable him to build new or to improve existing buildings or to do other necessary works on the land (section 12).

The Cumberland County Council Act, 1964, (section 24) and the Northumberland County Council Act, 1970, (section 6) contained the same clause.

The County of South Glamorgan Bill 1976 (section 32, as introduced into the House of Commons) requested similar powers.

The Coventry Corporation Act, 1972, (section 12) contained a similar clause, with the addition that the Corporation can lend money for those purposes to a person who has already bought or leased land from the Corporation and outside the city.

The County of Tyne and Wear Bill, 1975, asked for powers to lend money to industry or commerce, in the area or out of it but on Corporation land, for buying or leasing land, carrying out works on the land, erecting buildings, buying plant, machinery, or equipment (section 48.2 as submitted to the House of Lords). In the face of opposition, the request to lend to commerce was dropped.

Note that the local Authorities (Land) Act 1963, section 3 gives general powers to local authorities to lend money to firms to erect buildings - not to acquire land - on land sold or let by them within the local authority area. The above examples are of local authorities being able to lend for wider purposes: in all, 28 local authorities have acquired such powers (Minns and Thornley, 1976).

Power to assist industry

The Durham County Council Act, 1963, gave powers to the Council to prepare sites, or build or improve buildings, or provide other services or facilities, or to make grants or loans towards the cost of such works, for industrial buildings, if requested by the owner or lessee (actual or intended) of land in the area (section 102).

The Cumberland County Council Act, 1964, (section 16); the Lancashire County Council (General Powers) Act, 1968, (section 4); The Cheshire County Council Act, 1968, (section 13); The Leicester Corporation Act, 1968, (section 4); The Northumberland County Council Act, 1970, (section 8); and the Monmouthshire County Council Act, 1970, (section 12) all contained that same clause.

The Newcastle upon Tyne Corporation Act, 1968, extended the power to owners or lessees (actual or intended) of land bought or leased from the corporation and outside the city (section 21).

The Coventry Corporation Act, 1972, extended the power further, to include grants or loans not only for building and sites but also for machinery and equipment for those building, and to include the ability to build speculative (advance) factories (section 13).

The County of South Glamorgan Bill, 1976, (section 34) as deposited requested those powers, and moreover requested that they be extended to commercial buildings. In the face of opposition, the Bill has been amended by omitting the power to assist commercial buildings and the power to build speculative factories.

The County of Tyne and Wear Bill, 1975, asked for powers to prepare sites, build or improve buildings, provide services or facilities, for industrial or commercial buildings, if requested to do so by the owner or lessee of

land in the area or out of it but on Corporation land (section 48.1, as submitted to the House of Lords). Again, the request to assist commerce had to be dropped (see the Bill as amended following the Committee stage in the House of Lords).

That Bill as deposited asked also for the power to give grants to firms (both industrial and commercial) towards paying loans made by the County Council, towards paying rent for land or buildings, towards preparing or improving a site, towards relocating within the County, towards buying or leasing land or buying plant, machinery, and equipment (section 48.3, as submitted to the House of Lords). The Committee stage allowed that request to remain.

(The Local Authorities (Land) Act, 1963, section 2, gives a general power to local authorities to build advance factories, but only with central government approval.)

Power to guarantee rents etc.

The Durham County Council Act, 1963, gave powers to the Council to guarantee rents for industrial buildings if requested by the owner or lessee (actual or intended) of land or buildings in the area (section 101).

The Cumberland County Council Act, 1964, extended the power to guarantee also payments to statutory undertakers (section 5): similar clauses are in the Lancashire County Council (General Powers) Act, 1968, (section 5); the Northumberland County Council Act, 1970, (section 7); and the Monmouthshire County Council Act, 1970, (section 14).

The County of South Glamorgan Bill, 1976, (section 34) asked for this power also: as first deposited, the Bill asked that the power be extended to commercial buildings.

The Coventry Corporation Act, 1972, extended the power further, from industrial buildings to shops and offices also (section 14): it was given wider powers than South Glamorgan (see above) is now being allowed to ask for.

The County of Tyne and Wear Bill, 1975, (section 49 as submitted) asked for the same wide powers as Coventry was given. The Committee stage in the House of Lords deleted the power to assist commerce.

Power to acquire shares

The County of Tyne and Wear Bill, 1975, asked for powers to acquire shares in a public company, industrial or commercial, but not compulsorily (section 50, as deposited). The House of Lords Committee stage deleted that power.^x

Power to undertake general trading

The West Midlands County Council Bill, 1975, (part II) asked that it and its constituent Districts be empowered to produce and supply any goods and services (except those provided by statutory undertakers) which are in the interests of their areas or any part of it or of its inhabitants, and without the necessity of getting loan sanction for any necessary borrowing. That Bill has now been dropped, not because of central government opposition, but because of opposition from the constituent metropolitan Districts.

^x

In a fascinating paper, Rogers 1976 describes the local authority's reasons for asking for the extra powers in the County of Tyne and Wear Bill, 1975. He describes also the hostility of central government towards such attempts to give extra economic powers to local governments.

Chapter 5

THE LIMITATIONS OF LOCAL ECONOMIC PLANNING

This is the last chapter of section I, the purpose of which is to develop the idea of local economic planning. The development has been by defining such planning carefully (chapter 2), by exploring its possible uses (chapter 3), and by demonstrating its probable usefulness (chapter 4). The idea of local economic planning would not be developed in a balanced way without an investigation of the limitations of such planning. It is the purpose of this chapter to complement the earlier discussion of the strong points of local economic planning with a discussion of its weak points.

The discussion is in two parts, the first using theory to predict what the limitations of local economic planning would be, the second testing those theoretical predictions against the practical experience of Britain's industrial location policy (an example of local economic planning - see chapter 2). The theoretical predictions themselves are investigated in two parts - the limitations inherent in local economic planning, and the limitations arising from the present underdeveloped state of local economic planning. It is with the theoretical investigations that we start.

The limitations inherent in local economic planning

We said in chapter 1 that the idea of local economic planning focussed attention on the powers which governments can wield in order to improve conditions in cities, and that one advantage of that focus was that it led us to an appraisal of the effects of applying different types of powers. Such an appraisal was made of applying physical powers (in chapter 4) and economic powers (in chapter 3). Here we start from the appraisal in chapter 3 and from it derive statements about what cannot be achieved by local economic planning. First we study what can and cannot be achieved by changing economic variables then what can and cannot be achieved by changing economic variables locally.

i) What can be achieved by changing economic variables

We investigated this subject in chapter 3 by asking the question: what policy variables are we likely to be able to influence by using economic variables as the instrumental variables? We answered by first dividing the policy variables into three broad classes - employment, the physical environment, and social conditions. We went on to argue that economic planning could affect employment conditions directly, physical conditions rather less directly, and social conditions rather indirectly.

Expressed in terms of limitations, the argument is that economic planning is likely to be most limited in tackling social problems, less limited in tackling problems of the physical environment, and least limited in tackling employment problems.

ii) What can be achieved by changing economic variables locally

The argument above must now be adapted to our general thesis, which is about one type of economic planning only, local economic planning. In

such planning, economic variables are changed in some (local) areas and not in others; and that introduces the spatial dimension, which additional dimension introduces more limitations.

The reason for those extra limitations is that local economies are very open: economic changes in one geographical area can have effects in another geographical area. As a result, the effects of changing economic variables in one area might be felt in other areas and might be reduced in the area of application. A detailed understanding of the consequent limitations on local economic planning requires an appreciation of the openness of local economies, which is not discussed in detail until chapter 6. However, an understanding sufficient for the moment can be obtained from some examples, which we now give.

It is unlikely, for example, that local measures to reduce local inflation would be successful: if those measures were, say, to restrict the wages paid and the prices charged by local firms, local workers would get work elsewhere and local firms would sell elsewhere. Local measures to control the supply of money locally are likely to be thwarted by money transfers between the banks in a national system (Ingrams, 1959, traces the money flows between banks within a nation and the inter-regional effects of those flows), although monetary policy has been moderated for the Scottish and Northern Irish Banks (Hughes, 1974). Similarly, it is doubtful whether local measures to influence savings are worthwhile.[⌘]

[⌘] Indeed, Prud'homme (1975) wonders, "whether the city branches of banks, insurance companies, social security funds, etc., should be considered as being part of the city or not ... The very concept of 'city savings' is questionable ...".

Many economists have suggested that the limitations caused by the openness of local economies are so great that local economic measures should have a very restricted use. The argument starts by first classifying the civilian activities of government into three:

- resource allocation, income redistribution, and economic stabilisation.

(That classification follows Musgrave - 1959 - and is applied to the existing activities of the US and the UK governments, both central and local, in appendix A to this chapter.) The argument concludes by claiming that local economies are so open that local economic measures should be used for resource allocation only, not for income redistribution or for economic stabilisation.

If that argument was correct, local economic planning could play only a very limited role. For example, one of the uses to which we have suggested local economic planning could be put is resource allocation (see, e.g., the suggestion in chapter 3 that local economic planning could in some cases be used instead of physical planning in order to influence land use and building decisions). But also we have suggested that local economic planning be used to influence income distribution and economic stability (e.g. chapter 2 gave theoretical examples of local economic measures being used to change income distribution: and the examples of local economic planning in appendices B and C to chapter 2 include many to counter adverse economic and employment conditions). If the argument was correct, local economic planning should not be used for the latter purposes. The argument needs examining carefully.

In more detail, the classification of the civilian activities of government is as follows - adjusting the allocation of economic resources (e.g. providing transport, intervening in the allocation of land); causing desired changes in the distribution of income and wealth (e.g. by

welfare payments for unemployed, old, or poor people); and reducing fluctuations in economic activity and price levels (e.g. by public works to reduce unemployment, by price and income controls).

Netzer (1974, chapter 8), recommends that Federal government should provide 100% of the funds for economic stabilisation and 90% for income distribution, and that much of the financing for education and resource allocation should be transferred from local to state (or regional) government. He gives three reasons: "spillovers", or costs and benefits from the expenditure occurring in other areas than those spending the money; tremendous disparities in taxable resources and expenditure needs between local governments; and the constraints on local governments in raising taxes because people and businesses can often move from high tax to low tax areas.

Richardson (1969) recommends similarly that local governments should concern themselves only with resource allocation. His reasons too are similar - the effects on other areas of one small area pursuing distribution and stabilisation aims. Henderson and Ledebur (1972) and Hirsch (1973) argue similarly that local governments should restrict themselves to resource allocation activities: the former say "There is little reason why a system should be created to permit city governments to act as a pro- or counter-cyclical agent" (p.40). Mills (1972, p.233) says, "the fact is that central cities have only very limited ability to raise taxes ... for redistributive purposes".

Let us examine Netzer's three reasons for limiting local economic measures to resource allocation. His last two reasons - the disparities in taxable resources and expenditure needs between local governments, and

the constraints on local governments in raising taxes - contain an important assumption. The assumption is that local economic measures would be designed, decided, implemented, and financed by local governments. We have not made that assumption (and do not consider the organisational and institutional issues until chapter 7). Remove that assumption, and two of Netzer's reasons for limiting local economic measures to resource allocation disappear.^x

Netzer's third reason is based on the openness of local economies: because a local economy is so open, actions to change that economy might have important effects on other local economies. It does not follow, however, that no local economic measures which have spillover effects should be undertaken. That does not follow for two reasons. First, the spillover effects on other local economies might be good as well as bad. Second, the decision to change one local economy should be taken only after consideration of all the effects on all local economies: whether or not that consideration is given depends on the organisations within which the decision is made.

We have examined the argument that local economies are so open that local economic measures should be limited to resource allocation. Our conclusion is that the argument is not decisive.

We can summarise the limitations inherent in local economic planning by making three predictions from our theoretical investigation:

^x For example, Mills (1972, chapter 12) discusses the difficulties in financing local government services, difficulties caused by the openness of local economies. One solution, he says, is to widen local government areas (thus reducing their openness). Another solution is to transfer responsibility for the services to regional or national government (Netzer's solution). But a third solution is to retain local responsibility for the services, and finance them by grants from regional or national government. That third solution overcomes some of the difficulties caused by the openness of local economies by simple organisational arrangements.

- economic powers have more direct effects on employment than on the physical environment, and more on the physical environment than on social conditions
- the effects of local economic powers are often limited by the openness of local economies
- local economic powers can be used for resource allocation and, but only with great care, for income redistribution and economic stabilisation.

Whether those predictions are correct will be tested empirically later in this chapter. In the meantime, we shall show that, even if they are correct, we can avoid being constrained by the limitations in the following way.

Integrated planning, as a way of avoiding the constraints inherent in local economic planning

Each type of planning or policy instrument has its particular inherent limitations. That we have seen for physical planning (chapter 4), and local economic planning (above). Each type of planning, if applied on its own, would leave gaps, would leave some problems barely touched. The obvious way to overcome the limitations of each is to use them together, so that their effects are complementary, so that they bridge each other's gaps. That applies to local economic planning as much as to any of the current types of planning. When different powers are combined in that way we talk of integrated planning (alternative names are discussed in appendix B to this chapter).

The principle of integrated planning is simple. Given a particular end to be achieved, the policy-makers should be free to choose those means or that combination of means which best achieve the given end. Put that simply, it seems obvious. Apply it to our thesis: if local economic planning were to be extended, the planners should be able to choose to use it, or the existing types of planning, or both the old and the new types of planning together. Yet that obvious answer has hardly been applied so far to planning in British cities: departmentalism has kept the town planners with their special powers tackling their set of problems, the public health inspectors with their special powers tackling their set of problems (many of which are the same as those tackled by the town planners), and the education department, the welfare department, the housing department, and the rest, each working in isolation. It is to try to break such departmentalism and to introduce the more rational policy-making described above that many cities have been experimenting

with corporate planning and programme-planning-budgeting systems. Our suggestion is no more than current orthodoxy.

For us, the important point is that the limitations inherent in local economic planning would be least constraining if such planning were applied along with other forms of planning in a co-ordinated and integrated way. How that might be done is investigated in chapter 7.

The limitations arising from the present underdeveloped state of local economic planning

For the second part of our theoretical investigation of the limitations of local economic planning we look at limitations arising, not from within local economic planning, but from outside it, from the conditions in which local economic planning would be practised if its use were extended now. For we said, in chapter 1, that both the theory and the practice of local economic planning were poorly developed. And we would expect that lack of experience to impose limitations on any extension of local economic planning, at least until more experience had been gained and absorbed.

Such limitations have been described by Andrews (1963a), in one of the few explicit discussions about local economic planning, as follows.

"There is justifiable suspicion in the minds of many planners, economists, and public officials concerning the feasibility of economic planning for small areas. Pessimism stems from the fact that local economic activities have multiple external roots and respond to broad influences that exist outside the immediate area of production. There is, moreover, the formidable organisational problem of attaining to a meeting of the minds on the main issues of local economic planning, assuming that the controversial philosophy of such planning is accepted in the first place."

We can develop that statement to distinguish three limitations arising from the present underdeveloped state of local economic planning - those caused by ignorance of how local economies work, those caused by the difficulty of designing appropriate organisations for local economic planning, and those caused by the political difficulties of creating the necessary powers for the wider practice of local economic planning.

We examine each of those limitations in turn.

i) Ignorance of how local economies work

If local economic planning were to be used more widely, we would need theories for predicting, accurately enough for public planning, the effects of deliberately changing local economic variables. If we could not predict the consequences of a local economic measure, we might be unwise to take it. Therefore, the current state of knowledge of local economies restricts the local economic measures that could safely be proposed. More economic knowledge should lift some of those restrictions.[⊗]

In chapter 6 we examine the current state of such knowledge in order to discover what applications of local economic powers the theories are good enough to support and, conversely, what limitations our ignorance imposes.

ii) The difficulty of designing appropriate organisations

If local economic planning were to be used more widely, it would have to be organised appropriately. In what organisations should the local economic measures be proposed, accepted, implemented, and financed? There is little experience of local economic planning to guide us; but we can already foresee two great difficulties in designing the necessary organisations. One is that the local areas for which economic measures might be proposed are already subject to other types of ^{local} planning: the other is that the local areas for which economic measures might be proposed are parts of a national economy already subject to national guid-

[⊗] Unless the knowledge is of the openness of local economies, and it tells us of an inherent limitation of local economic planning - see the earlier discussion.

ance. Those difficulties could result in organisations being designed which of necessity limited the practice of local economic planning.

In chapter 7 we study those issues, and recommend how local economic planning should be organised if it were to be practised more widely. We suggest also some of the ways in which those recommended organisations would limit that practice.

iii) The political difficulties of creating the necessary powers. Andrews, in the passage quoted above, wondered whether the "controversial philosophy" of local economic planning would be accepted. He wrote in the USA in 1963. In Britain, 14 years later, we can see many examples of local economic planning applied or suggested (see appendices B and C to chapter 2, also chapters 9 and 10): the philosophy seems to be much less controversial now. Nevertheless, we would expect political controversy over obtaining the necessary powers for an extension of local economic planning[ⓧ]: the recent experiences of local authorities in obtaining economic powers through local Acts tell us that (see appendix D to chapter 4 and see chapter 7).

The expectation of political difficulties in creating the necessary powers would lead those asking for the extra powers to limit their requests: in chapters 7 and 11 we state some criteria of political acceptability and we see, in chapter 12, how those criteria limit the possible extensions of local economic powers. In turn, those limitations on new powers limit the possible extensions in the practice of local

[ⓧ] Chapter 8 argues that any significant extension of local economic planning would require new statutory powers created by Parliament.

economic planning.

We can summarise the limitations arising from the present underdeveloped state of local economic planning by making three predictions from our theoretical investigation:

- local economic measures should be limited by the extent of our knowledge of local economies, which at present is not great.
- local economic planning will be limited by the organisations through which it is practised, and those organisations will be constrained by the need to take account of other local planning and of national economic policies
- local economic planning will be limited by the extent of the new powers created for it, which will be limited by the need for political acceptability.

The limitations in practice - regional policy for the location of industry

From theoretical arguments, we have just suggested some of the most important limitations of local economic planning: now it would be useful to test those theoretical arguments with a case study of local economic planning in practice. There is only one example in Britain of local economic planning which is sufficiently well developed to be tested in that way - the economic measures that are used to alter the location of industry between regions.^x In this case study we shall first describe briefly the main economic measures that are applied, by whom, and why; then we shall restate the limitations suggested by theory; then we shall investigate whether the limitations are found in practice.

i) Location of industry policy as an example of local economic planning. The powers are local in that they are applied to some areas and not to others: Great Britain is divided first into the Assisted Areas (AA's) and the non-Assisted Areas; the Assisted Areas are then subdivided into Special Development Areas (SDA's), Development Areas (DA's), and Intermediate Areas (IA's - see the map in Department of Industry, 1975(b): we exclude Northern Ireland from this study).

The powers are economic in that they act directly on economic variables. We present them here using the classification of local economic variables

^x That is an example of local economic planning by our definition - see chapter 2 - because the economic measures are applied to some sub-national areas and not to other areas.

given in chapter 2.^x The current powers that are most widely applied are:

- variable : price/price of inputs to local firms
- power : to give a regional Employment Premium (REP) to manufacturing firms in SDA's and DA's (e.g. £3.00 a week for a full-time male worker over 18, £1.50 a week for a part-time male worker over 18). (To be withdrawn, to save public money.)
- operated : Department of Employment (DE)
- variable : price/price of inputs to local firms
- power : to make grants towards the cost of buildings, plant, and machinery - 22% in SDA's, 20% in DA's - and towards the cost of buildings only - 20% in IA's.
- : to give 2 years rent-free occupancy of government factories in AA's, for employment-creating projects
- operated : Department of Industry (DI)
- variable : supply/inputs to local firms
- power : to build factories, advance or custom-built, for sale or rent in the AA's
- operated : Industrial Estate Corporation and the Scottish and Welsh Development Agencies, for the DI
- variable : supply/inputs to local firms
- power : to withhold or grant an Industrial Development Certificate (IDC). An IDC is required for an industrial development of over 12,500 sq. ft. in the South East, and 15,000 sq.ft.

^x Some of the powers have been described already as examples in appendix B to chapter 2, they have been included under the comprehensive list of powers available in appendix B to chapter 3, and most are listed as powers to influence employment locally in chapter 10.

in the other non-AA's and in IA's. They are not needed in SDA's and DA's

operated : DI

- variable : credit/credit to local firms

power : to give loans at concessionary rates or interest relief grants to employment-creating projects, and to give loans at commercial rates to other projects, to manufacturing and (possibly) service industries in the AA's

operated : DI

It is notable that the proposals are both designed and implemented (see chapter 7) by central government: the location of industry policy is an example of local economic planning controlled nationally (although implemented by regional branches of national government).

The main reason for that central control is that the policy has national aims. The main aims of Britain's industrial location policy are:

- to reduce inter-regional inequalities, because they are unjust and (possibly) politically dangerous
- to reduce unemployment, because it is socially undesirable. A general reflation of the national economy would be dangerous as the only way of trying to reduce national unemployment, because some regions would reach full employment before others, and a continuing general reflation would cause inflationary pressures and extra import demands in the overheating regions
- to increase economic growth, by reducing unemployment, which represents unused economic resources. Again, a general reflation of the national economy would be dangerous as the only way of trying to reduce national unemployment. (See Wilson, 1964, for a development of that argument.)

ii) The limitations in theory

The theoretical arguments in the first half of this chapter have been summarised as follows.

Limitations inherent in local economic planning:

- economic powers have more direct effects on employment than on the physical environment, and more on the physical environment than on social conditions
- the effects of local economic powers are often limited by the openness of local economies
- local economic powers can be used for resource allocation and, but only with great care, for income distribution and economic stabilisation.

Limitations arising from the present underdeveloped state of local economic planning:

- local economic measures should be limited by the extent of our knowledge of local economies, which at present is not great
- local economic planning will be restricted by the organisations through which it is practised, and those organisations will be constrained by the need to take account of other local planning and of national economic policies
- local economic planning will be limited by the extent of the new powers created for it, which will be limited by the need for political acceptability.

iii) Are those limitations met in practice?

We shall now take each of those limitations suggested by theory, and

test whether it has been met in the practice of Britain's industrial location policy.

More effect on employment than on physical and social conditions.

It is noticeable that the economic measures used are all designed to act directly on employment, even though the purpose of the measures is to reduce inter-regional inequalities which are social and physical as well as economic and arising from employment. We do not know whether the policy-makers decided not to try to reduce the social and physical inequalities by economic means: although it might be significant that one recent attempt to do so (by giving higher improvement grants for houses in Development Areas, in the 1969 Housing Act) was discontinued in 1974 after 5 years.

The aim, then has been to reduce social and physical inequalities indirectly, by using economic means to influence employment and, thereby, other conditions. It is noteworthy that attempts to monitor the effects of the measures on social variables have been few and inconclusive. For example, Eversley (1971) attempts to monitor the effects on population changes and admits failure: Moore and Rhodes (1973) discuss the possibility of evaluating the effects of the measures on social conditions, and reject it in favour of evaluating the effects on job movements, which are no more than an indirect indication of success.

The practice of industrial location policy supports our earlier statement that economic powers are likely to have more direct effects on employment than on the physical environment or on social conditions.

Effects limited by the openness of local economies

This limitation on industrial location policy can be seen in two ways - the effects of the measures are reduced, and the choice of efficient measures is reduced.

The effects of the measures are reduced by the regional "leak", explored by Allen (1969): extra expenditure by workers or firms, as a result of new jobs created in an area, may be on goods or services produced outside the area. As a result, estimates of the multiplier effect of extra jobs created vary greatly (see the discussion in "Regional Development Incentives" 1973). The local effects are further reduced by one of the measures (not described above) to give grants to key workers moving with their firms to Assisted Areas. The growth of big corporations, especially multinational firms, will have reduced the local effects further, by allowing profits made in the Assisted Areas as a result of the measures to be invested elsewhere in the country or even in other countries (see Labour Research, 1975).

The choice of efficient measures is reduced by the openness of local economies. For example, assistance has to be given to jobs or investment created in an area, not to firms operating in that area. Similarly, tax measures to assist firms cannot be used to have local effects, when so many firms operate so widely. The effect of leakages is reduced by choosing to apply the measures to large areas: and certainly the Assisted Areas are now very large, and cover most of Britain (although the extension of Assisted Areas in the 1966 Industrial Development Act was not for that reason). An economic measure which cannot be used for industrial

location policy is monetary policy: for (say) a relaxation of credit by banks in one area could be used by firms throughout the country. So if credit is to be used to have local effects, it must be credit for local projects not credit for local banks or local firms. It would be possible to use some measures discriminately, in order to aid projects with small leaks but not those with big leaks. In fact that is not done: if anything, the reverse applies, with the investment grants favouring capital-intensive projects which use capital goods, many made outside the area. Labour intensive projects would have smaller leaks.

Again, there is some support from the practice of industrial location policy for our earlier statements: the openness of local economies does restrict the choice and effects of local economic measures.

Economic measures should be used for income redistribution or economic stabilisation only with great care.

The practice of industrial location policy does not support this statement. First, that practice uses as a matter of course local economic measures for redistribution, redistribution between areas.^{*}

Second, industrial location policy uses as a matter of course local economic measures to reduce unemployment nationally and to increase economic growth nationally - that is, to stabilise the economy.

Also, a subsidiary aim of the policy is to reduce inflationary

* It could be argued that redistribution between people directly is

better than redistribution between areas, which effects redistribution between people only indirectly: but that argument ignores the fact that we want to redistribute living conditions as well as personal incomes, and many living conditions can best be redistributed by area-wide measures.

pressures in overheated regions, and thus to avoid booms as well as slumps.

We conclude that local economic measures can, technically, be used for income redistribution and economic stabilisation. However, the measures used for those purposes by the industrial location policy are all controlled by central government. There might be difficulties if local governments used local economic measures for such purposes: but that is an organisational limitation, and will be considered below.

Local economic measures should be limited by the small extent of our knowledge of local economies.

There is support for the statement that our knowledge of local economies is small. The difficulty of predicting the effects of changing economic variables is illustrated by the arguments which supported the introduction of the Regional Employment Premium. The Green Paper ("A proposal for a Regional Employment Premium", 1967) argued that the REP would operate by causing the prices of products made in Development Areas to fall, thus creating further demand for those products and thus for workers in the DA's. But, as Moore and Rhodes (1973) point out, that is only one of the possible ways in which REP could work. "It could, for example, be used to pay for higher wages or increased profits or it could be divided in some way between prices, wages, and profits. It could also be spent on additional sales promotion, research and development activity, quality improvement and improved delivery times. The resulting employment will depend on which of these possible alternatives firms have in fact chosen." The resulting employment was

predicted by central government on the basis that firms would choose one alternative ("Regional Employment Premium", 1967); but perhaps firms chose another alternative, for Moore and Rhodes (1973) estimate the resulting employment to have been much less than predicted.

However, there is no support for the statement that those responsible for local economic measures have felt limited by their ignorance. The example of REP given above shows that. A House of Commons Expenditure Committee ("Public money in the private sector" 1972) said, "There must be few areas of Government expenditure in which so much is spent but so little known about the success of the policy". Another House of Commons Committee ("Regional development incentives" 1972) made the same point: "Regional policy has been empiricism run mad, a game of hit-and-miss, played with more enthusiasm than success. ... We regret that their efforts (i.e. the efforts of those responsible) have not been better sustained by the proper evaluation of the costs and benefits of the policies pursued." It is remarkable that the results of a policy which started in 1934 and which had grown to cost over £400M in 1973/74 ("Government intervention" 1974), were not assessed carefully until 1973 (Moore and Rhodes, 1973).

Organising local economic planning meets two difficulties, and the resulting organisations restrict the types of local economic measures implemented.

There is plenty of evidence from industrial location policy that local economic planning meets two great organisational difficulties.

The first difficulty is in organising local economic planning for an area already subject to other types of planning. Industrial location policy has neither resolved nor attempted to resolve this difficulty. The local economic measures are designed and applied by one branch of central government; other local measures (mainly physical planning) are designed and applied by local government, under the check of another branch of central government; and the different sets of measures are never co-ordinated. Local government applies local physical measures to tackle local problems; the DI applies local economic measures in accordance with national policy; the DI ignores totally local criticisms; and, worse, the DI applies its powers secretly, ostensibly to protect private business interests but also, one suspects, to avoid criticisms from local interests. (Chapter 10 describes that lack of co-ordination in Birmingham.)

However, that evidence of organisational difficulty is not the product of anything inherent in local economic planning. (Chapter 7 suggest procedures for co-ordinating local economic powers with other local powers, when both sets of powers are under local control.) Rather, the difficulties result from local economic measures being used for national policies, and other local measures being used for local policies. That is the second, and more severe, organisational difficulty - organising local economic planning with local objectives for local areas already subject to national economic policies. ^{*} It is that difficulty which is ill-

* Organising local physical planning with local objectives ^{applied} to local areas already subject to national physical policies would also raise difficulties. But the contradictions would be less obvious, and there are few definite national physical policies for Britain.

ustrated by industrial location policy in Britain (and it is that difficulty which might limit the use of local economic powers for purposes of income redistribution and economic stabilisation - see above).

It is probable that that organisational difficulty will worsen. Previously, the industrial location policy has been used to pursue national policies for an inter-regional distribution of economic activity. Minns and Thornley (1976) argue that regional aid is being used increasingly for a national industry policy (e.g. extra productivity, extra exports, technological development, structural change) rather than a regional location policy: they point out that, by 1980, regional aid will comprise over half of the direct state support to industry. The recent announcement by the Industry Secretary (Financial Times, 6 Nov 76) supports that suggestion: the Government is conducting an extremely critical examination of regional aid policy, and the emphasis is being placed firmly on selective aid to industry. Such an application of industrial location policy would be even more difficult to co-ordinate with local economic measures designed and implemented locally.

There is, however, no evidence that the organisation of industrial location policy has been constrained by the need to take account of those two organisational difficulties: the organisation of industrial location policy has simply ignored the difficulties. So there is no evidence that industrial location policy has been restricted by the organisational constraints.

The need for political acceptability will limit the extension of local economic planning

The experience of industrial location policy does not support

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this statement. Any standard work on regional planning in Britain, such as Glasson (1974) or McGrove (1969), describes the gradual strengthening of the "sticks and carrots", from the 1934 Special Areas Act to the 1972 Industry Act. Finn (1976) says, "Indeed, firms are now being beaten over the head with the carrot as well as the stick!".

On the other hand, however, recently local governments have had their economic powers to influence local industry restricted. The local Acts of pre-1974 local authorities are to expire in 1979 or 1984, and attempts by new authorities to acquire by local Acts new economic powers to influence the location of industry are being frustrated (the evidence is discussed in chapter 7 and in appendix D to chapter 4).

Again, therefore, we have a central government/local government distinction. Local economic planning by local government is controversial, and central government might not allow its extension: but local economic planning by central government has been steadily extended.

Conclusions on the limitations of local economic planning

Theoretical arguments in the first half of this chapter suggested six limitations of local economic planning. We tested those arguments with a case study of industrial location policy in Britain, and had to modify the limitations. The limitations can be restated, as follows:

- economic powers have more effect on employment than on the physical environment or on social conditions
- the effects of local economic powers, and therefore the choice of efficient powers, are limited by the openness of local economies
- our ability to predict the effects of local economic measures is weak, because of our ignorance about local economies. That weakness should limit our applications of local economic planning, perhaps more than it has done so far
- there would be great political tensions between central and local government if local authorities tried to practise local economic planning. Those tensions would be greater if local authorities tried to use such planning for income redistribution and economic stabilisation than for resource allocation. The tensions would shape the organisations through which economic planning was practised by local authorities, and the tensions would limit the new powers created to allow local authorities to practise economic planning. Both the organisational effects and the restricted range of new powers would limit the practice of economic planning by local authorities.

Those limitations influence our treatment of the issues which are the subject of section II. Chapter 6 investigates "Theories in local economic planning" - the theories by which we can predict the effects of applying economic powers to local economies. How limited are our predictions?

Chapter 7 investigates "The organisation of local economic planning". It argues that such planning should be operated by local authorities: but what then of the conflicts with central government? How can economic planning by local governments be organised so as to reduce such conflicts to the inescapable minimum? Chapter 8 investigates "Powers for local economic planning", and thus casts light on another aspect of central government/local government relationships - the means by which central government controls the actions of local government, and can give powers to or withhold powers from local government. In that way, central government can control and limit the extent of any economic planning by local authorities.

Then we return to the limitations of local economic planning in chapter 11, where we express them as a set of guidelines which any extension of local economic planning should follow (if the principle of extending local economic planning were adopted). The limiting effect of those conditions is manifested in chapter 12, where we describe four new local economic powers which would meet the conditions: those examples make it apparent that only limited extensions of local economic planning could be recommended.

Appendix A to Chapter 5

An economic classification of the civilian activities of government

In the main text, we described the classification of government activities into resource allocation, income redistribution, and economic stabilisation. Here we show how the existing civilian expenditures of the US and the UK governments are spread between those classes and between the levels of government.

Netzer (1974, chap.8) analyses civilian public expenditure in the USA in 1970-71 as follows (he uses four categories, adding public schools, because primary and secondary education combine two functions - income distribution and resource allocation).

Level of G'ment providing the funds	Income Distribution	Resource Allocation	Economic Stabilisation	Public Schools	Total
Federal	75%	34%	55%	10%	44%
State	15%	30%	45%	39%	28%
Local	10%	36%	0%	51%	28%
All	100%	100%	100%	100%	100%

A similar analysis roughly made for the United Kingdom in 1974 gives the following (Central Statistical Office, 1975).

Level of G'ment making the expenditure	Income Distribution	Resource Allocation	Economic Stabilisation	Public Schools	Total
Central	87%	63%	100%	14%	62%
Local	13%	37%	0%	86%	38%
All	100%	100%	100%	100%	100%

Notes to the table of British statistics

- : this analysis excludes expenditure on defence and foreign relations, police and justice, general administration, and debt charges
- : from British statistics, it is difficult to detect expenditure on economic stabilisation: no reliance, therefore should be placed on the figures given here.
- : As Netzer does not describe fully his method of analysis, we do not know how similar our method is. Also, similar expenditure has different objectives in the two countries - e.g. public expenditure on housing is for income distribution in the US, but for resource allocation in the UK. As a result, we do not know how comparable the tables are.
- : Netzer analyses by the level of government providing the funds for expenditure. For Britain, such an analysis is not possible, for central government gives a big general grant to local government which it may spend as it wishes (in 1974, the general grant was about 40% of the total local government expenditure included here). So we have to analyse by the level of government making the expenditure.

Appendix B to chapter 5

Alternative names for integrated planning

When the choice of planning means is made consciously and freely as described in chapter 5, we name it integrated planning (the term is used by Marris and Rein, 1967). "Corporate planning" is an alternative term: "local authority corporate planning focusses on the expression of the integrated policies of a local authority's various services" (Eddison, 1973, p.90): unfortunately, it has acquired connotations of big business. "Comprehensive planning" is unsatisfactory because it can mean that the aim is to plan everything: e.g. "the ideal of comprehensiveness ... is to touch on most if not all major policy problems" (McLoughlin, 1973, p.140). Meyerson and Banfield (1955, p.313) use comprehensive planning in the same way - as opposed to partial planning. Marris and Rein (1967, p.142) point out the ambiguities of the term, "But what did comprehensive mean - a programme which tackled all the causes...? Which involved every institution? or which simply integrated every aspect of a particular service...?"

Another possible term is "The total approach", as used by the Department of the Environment for the Six Town Studies (see chapter 4) but that too could imply planning everything.

Eversley (1973, pp.4,5) uses "Social planning" to mean something similar to what we call "integrated planning". "Social planning ... means the total effort by all agencies to achieve changes in the physical environment and in the economic and social structure within that environment, in pursuit of improvements in the living standards of an urban population." Eddison (1973) warns us, however, of the difficulty in defining that term: in practice, "social planning" has been used so variously that it can mean anything or nothing.

Chapter 6

THEORIES IN LOCAL ECONOMIC PLANNING

Introduction

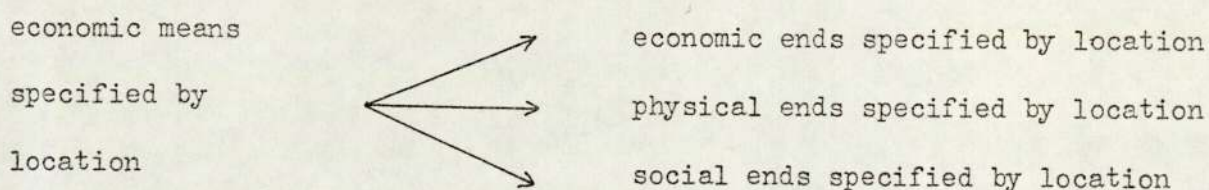
The purpose of this chapter is to examine the state of some of the theories in local economic planning in order to discover how the theories support the practice. In order to achieve that purpose, we first have to discover the special demands made on theory by local economic planning: our conclusion is that we require theory to explain the locational consequences and leakage effects of implementing local economic measures. Then we have to investigate the current state of that theory in order to discover how full and varied it is (i.e. how well it would support practice by suggesting new and varied solutions) and how good it is (i.e. how reliably it would enable us to predict the locational effects). Our findings are expressed in terms of the limitations which the current state of the theory imposes on the practice of local economic planning.

Before we start those investigations it is necessary to clarify certain points. First, then, let us be clear what we shall be investigating, what we mean by theories in local economic planning.

i) Theories in local economic planning

In chapter 1 we distinguished between theories of and theories in planning. There we discussed theories of planning, here we discuss theories in planning, particularly theories in local economic planning. Theories in planning are concerned with the substance, not the procedures, of planning: that is, they are concerned with the subject matter on which the planning measures act in order to improve specified conditions. We can express that by saying that theories in planning provide explanations of the effects of the planned actions, in particular the effects of those actions (the means) on that which the actions are designed to achieve (the ends).

That definition of theories in planning can be applied to local economic planning as follows. In such planning, a particular type of means (vis, powers over economic variables) is applied in a specific location in order to alleviate a wide variety of problems (or to achieve a wide variety of ends - economic, physical, and social) in specific locations. That relationship between ends and means in local economic planning can be expressed diagrammatically:



The causal links between the application of the means and the attainment of the desired ends are the subject of theories in planning generally. Therefore, the theories in local economic planning particularly are those which explain the causal links between changing economic variables in a specified location and achieving desired ends in a specified location. (Also, such theories explain the other consequences - the side-effects specified by location - of changing economic variables in a specified location.)

ii) The value for practice of theories in planning

Such theories in planning are useful to the practice of planning in two ways. First, practice is motivated by the desire to solve problems, to do which practice needs to know what solutions might be effective.

Theories enable us to analyse the causes of the problems, and such analyses can suggest solutions. Such a use of theory can be most important: a problem can be stated in ways which are helpful or unhelpful to the policy-maker, and if a problem has been resisting solution its reformul-

ation may provide a breakthrough. (That is discussed further in chapter 1 and illustrated with examples from Lambeth in chapter 9.)

The second way in which theories in planning help the practice of planning is in enabling the practitioner to predict the consequences of applying planning measures. Planning measures are applied in order to achieve a specified end, so the practitioner needs to know in advance whether the measures will have that intended consequence, and what the unintended consequences will be.

So practice needs theory. Nevertheless, poor theory does not prevent practice, for practice can improve theory by implementing proposals carefully and monitoring the results - that is, by using practice as controlled experimentation. The lessons learnt from the careful and piecemeal pedestrianisation of shopping streets in, say, Norwich demonstrate that point.

However, that point should not be stretched. Poor theory does not prevent practice, but can inhibit it severely. One reason is that we should not implement proposals, the consequences of which are totally unpredictable because experience is lacking and theory inadequate. As the Report of the Panel of Inquiry into the GLDP said (1973, para 5.77), "We do not believe that proposals should appear in a plan unless there is ... a clear understanding of what are likely to be the results of that implementation".

Another reason why poor theory can inhibit practice is that we cannot rationally use practice as experimentation when theory cannot even tell us what results to monitor: the possible consequences of a planning action are manifold, and we need theory to direct us to the variables which might be affected. A third reason why poor theory can inhibit practice is that it fails to suggest new and varied solutions to the practitioner.

Therefore, if we are to recommend practice - such as extending the application of local economic planning - we need to know how far the current state of the relevant theories in planning inhibits that practice.^x It is for that reason that we examine in this chapter the state of theories in local economic planning - in order to decide first whether there are theories which suggest new and varied solutions, second how good those theories are and what applications of local economic powers they can support and what applications they cannot.

^x The current state of such theories was one of the limitations on local economic planning discussed in chapter 5.

What we require from theories in local economic planning

We said above that theories in local economic planning explain the causal links between changing economic variables in a specified location and achieving desired ends in a specified location (and producing side-effects in certain locations). The theories can usefully be divided into two parts, as we shall show.

i) Theories in economic planning generally

Let us consider first theories in economic planning generally (not specifically local economic planning). Economic planning generally can be represented diagrammatically as:

economic	→	economic, physical, social ends
means		and side-effects

So theories in economic planning tell us the consequences of changing relative prices, stimulating demand, controlling the money supply, and so on: but neither the economic measures nor their consequences need to be specified by location.

ii) Theories in local economic planning

Second we consider theories in local economic planning, which we have already represented as:

economic means	→	economic, physical, social ends
specified by		and side-effects
location		all specified by location

The reason for specifying the location of the economic means was described in chapter 3 - in order to achieve more efficiently effects in a specified location. If economic measures applied in one location caused effects in

that same location and nowhere else, then local economic planning could be represented diagrammatically as:

economic means		economic, physical, social ends
applied in	→	and side-effects
location A		all in location A, none elsewhere

In that case, local economic planning would require the same theories as those used in economic planning generally, and no other theories.

To see that, suppose that a boundary is drawn around the geographical area where a problem is experienced. If there was no economic movement or influence across that boundary - i.e. if the area were a completely closed economy - then the solution would have to be applied within the area. Problem and solution would then be within the same geographical area, and would have no influence on, nor be influenced by, the economy outside that area. The closed local economy could be treated as a national economy in which there was no international trade or in which imports and exports had to balance. As a result, the macro- and micro-economic theory applicable to national economic planning could be applied to the local area.

We know, however, that local economies are not closed, that - on the contrary - they are usually very open. As a result, an economic variable changing in one area is likely to cause changes in other areas also. So a problem in location A may be the effect of causes elsewhere, the problem in A can be tackled by measures in location B, which might have side effects in location C, and so on.

So local economic planning, by changing an economic variable in one location, might be able to achieve desired ends and produce side-effects, all in other locations. Therefore, theories in local economic planning need to be able to explain such locational effects.

We can now see that theories in local economic planning need to include all that theories in economic planning generally include, plus the locational effects. That is, theories in local economic planning have a special requirement put on them: that they should explain the locations of the effects of economic causes with known locations.

iii) The special theoretical requirements of local economic planning.

A comprehensive review of the state of theories in local economic planning would include both parts - the theories general to economic planning and the theories specific to local economic planning. However, such a comprehensive review is not appropriate to our thesis: here it is appropriate only to review the special theoretical requirements of local economic planning.

So now we go on to review theories of the locational effects caused by the openness of local economies. First we describe the theories, then we evaluate how well they would support the practice of local economic planning.

Theories to explain the locational effects of local economic planning

i) Theories of locational effects

The openness of local economies means, we said, that an economic variable changing in one location can have effects in other locations. That causes two related difficulties for local economic planning which we can explain as follows.

Suppose a progressive local income tax were being considered for area A, and the local economic planners wanted to predict the effects of that change on the demand for houses, schooling, shops, etc. If A were a completely closed economy, the new tax in A would affect houses, schooling, shops, etc. in A and nowhere else. However, if A were an open economy, the progressive local income tax would cause people to migrate across its boundary - poorer people in, and richer people out. As a result, the demand for houses, schooling, shops, etc. would change elsewhere also.

The first difficulty for local economic planning is: in what locations, beside area A, would the demand for houses, schooling, shops, etc. be changed, as a result of the new tax in A? The other locations of the effects we can call the locational consequences of the economic changes in area A. [⌘]

[⌘] It is necessary to be clear about the difference between locational consequences, as we have defined them above, and the related economic concepts of "spillovers" and "externalities". Spillovers and externalities refer to the effects of an economic decision, effects which are external to (i.e. not experienced by) the decision-maker. All locational consequences must be externalities; but externalities need not be locational consequences. The reason is that what is included as a locational consequence depends on the geographical boundary drawn around the decision-maker. A tight boundary will cause many externalities to be locational consequences also, a loose boundary will include most externalities in the same location as the decision-maker.

The second difficulty for local economic planning, caused by the openness of local economies, is: how does the openness affect the sizes of the effects in all the locations? The migration of people across A's boundary, caused by the new tax in A, can be regarded as a leak. As a result of that leak, the sizes of the effects in A, on the demand for housing, schooling, shops, etc. caused by the tax, are likely to be different from if there was no leak. Also, the leak is the cause of there being effects, on the demand for housing, schooling, shops, etc., in other areas besides A; and the size of the leak will determine the sizes of the effects outside A. The size of the effects (in all areas, A included) of the change in A, we can call the leakage effects.

So what we have called, above, the locational effects of local economic planning we have now divided into two: the locational consequences, and the leakage effects.‡

There are economic theories which try to resolve both those difficulties. Both the locational consequences and the leakage effects of a known economic change are explained by the combination of location theories and micro-economics into micro-economic approaches to local economies: and the leakage effects (but not the locational consequences) of a known economic change are explained by an adaptation of macro-economics into

‡ The nature of the effects of the change need cause us no locational difficulties. The effects, intended and unintended, of an economic change in A can be predicted using standard economic theory, in an aspatial way. Where those effects will be experienced is the subject we have called locational consequences. The sizes of those effects is the subject we have called leakage effects. But the nature of the effects, which may or may not be experienced in A and elsewhere, can be predicted or explained without any consideration of location or distance.

macro-economic approaches to local economies. (Appendix A describes how the particular contribution of those economic theories can be integrated into the explanations provided more generally by theories in local economic planning.)

ii) Economic theories of locational effects

In more detail, what are the theories of local economies which explain locational consequences and leakage effects?

Textbooks on urban economics* usually divide approaches to the subject into two - micro-economic and macro-economic (see, e.g., the review article by Richardson, 1973). The micro-economic approach focusses on the behaviour of firms and households, on transactions between them, and on how those transactions are modified by government intervention. This approach treats locational issues by an "... attempt to modify neo-classical economics by introducing spatial considerations together with externalities into production and consumption decisions of firms and households" (Hirsch, 1973 pxvi). The macro-economic approach focusses on aggregate variables (e.g. consumption, investment, exports) and on groups of decision makers (e.g. households, industrial sectors, central and local government). It treats locational issues not in terms of location but in terms of leakages. Hirsch (op cit, p.174) distinguishes between the two approaches and their treatments of locational issues as follows. "Whereas in micro-economics, spatial characteristics were viewed in the context of distance and proximity among markets and actors, in macro-economics the important spatial concern is with the open-ness of the urban economy."

We have divided the locational effects of local economic planning into two - the locational consequences and the leakage effects. Following

* Urban economies are one example of local economies. Regional economies are another example. Here we use theories from both urban and regional economics.

Hirsch (above) we would expect to find economic theories of both locational consequences and leakage effects in micro-economic approaches to local economies, and economic theories of leakage effects in macro-economic approaches to local economies. So we now have a closer look at those two approaches.

ii) Micro-economic approaches to local economies

The micro-economic approach treats the local economy as a spatial part of the national economy, the links between the local area and the nation being economic flows across space. It tries to give causal explanations of those flows by combining theories of location and micro-economic theories of individual behaviour.

Location theories try to explain how people choose and change locations - locations to live, work, and play, and locations from which to buy and to which to sell. Hence, location theories try to explain locational consequences.

By combining location theories and micro-economics, we can try to explain the economic size of the flows resulting from the location choices - i.e. we can try to explain leakage effects. The combination is by introducing distance into economic theory: to cross space costs time or money, so distance can be included in economic theory as a cost. By that combination, micro-economics is modified for application to towns and cities.^x

If we had a general theory of location and if we knew the location of all relevant activities, we should in principle be able to predict the direction and size of all economic flows across space. Let us suppose that we

^x For examples of this approach, see Richardson's textbook (1969) chapter 2,3,4,5, and 6.

predicted all economic flows within Britain. Many of the flows would start, or end, or start and end, in our geographical area - say, Birmingham. We would then know the economic flows between Birmingham and the rest of Britain, and all the economic flows within Birmingham. If we had partial theories of location and if we knew the location of all the relevant activities, we could predict the economic flows across space relevant to our partial concern (as long as we made the ceteris paribus assumptions essential for all partial theories).

In such ways, by introducing distance into micro-economics, the aim of the micro-economic approach is to build a theory of the economic processes within a local area and between a local area and the rest of the world. An economic change in one area would cause changes in the economic flows between that and other areas, which the theory could predict. So such a theory could, it is clear, explain both the locational consequences and the leakage effects of local economic planning.

iv) Macro-economic approaches to local economies

Macro-economic approaches focus on aggregate variables within a local economy. The relationships between the aggregate variables within the local economy and those within the national economy can then be treated in two alternative ways.

The city-state approach treats the local area as though it were a nation trading with the rest of the world. Like a nation, the money values of the area's transactions with the rest of the world have to balance, in the long run if not the short run.* However, we shall show later in this chapter that the city-state approach is based on a false assumption: we shall show that the money values of an area's transactions with the rest of the world do not have to balance.

* Examples of applications of this approach are Artle's general model of the island economy of Oahu, Hawaii (1965), and Brook and Hay's treatment of export base theory (1974).

The alternative treatment of the relationships between aggregate variables inside and outside a local economy we call the partial equilibrium approach: it can be explained as follows. We know that a local area is a very open economy, with many unconstrained economic flows across its boundaries. However, now assume that the economic relationships between the area and the rest of the world are held constant: the assumption is not that the flows themselves are constant but that certain hypothesised relationships which explain the flows are constant (e.g. the propensity to import consumer goods out of disposable income). The assumption introduces certain constraints on the openness of local economies, constraints which allow us to apply to it macro-economic theory as follows.*

The first point is that it is difficult to apply general macro-theories. The reason is the lack of relationship between inflows and outflows. For example, the theory might be that imports of goods and services are a function of area income, but exports do not have to be such as to pay for those imports: exports might be the residual after other components of final demand have claimed the area output, or a function of the GNP of the country of which the area is a part, or some proportion (assumed constant) of area output. That is a weak foundation on which to build

* We call this approach the partial equilibrium approach because it recognises that a local economy is part of the rest of the economy, but it keeps the relationships between the part and the whole constant. Changes in the part do not affect significantly the whole, and there is no feedback from changes in the part, through the whole, back to the part. Also, during the period of the analysis, it is assumed that the whole does not change endogenously in such a way as to affect the part. Lipsey, 1966, p.499, gives this definition of partial equilibrium theory. Unfortunately, the term is used differently by Hoover, 1968, to refer to partial economic location theories.

comprehensive theories.^{*} However, some of the partial macro theories of the national economy can be applied, those which do not need to assume a relationship between imports and exports.^{**}

Some examples of partial equilibrium macro-economic approaches to local economies will show that they can be used to explain the leakage effects of local economic planning. The local short-run Keynesian multiplier is one example (see, e.g., Brown 1972, Sadler 1970, Allen 1969, Archer and Owen 1971), the long-run export base multiplier is another (see, especially, Tiebout's treatment of it, 1962). The partial theories which use an input-output framework for local economies are other examples (see, e.g., Morrison 1973, Hirsch 1963), as are the partial theories which use an income-expenditure framework (see, e.g. Brown 1972). All those applications were designed for predicting the size of the effects of a local economic change, after the leaks have taken place.^{***}

Such partial equilibrium macro-economic approaches cannot, however, be used to explain locational consequences: the reason is that location theory (which explains locational choices in individual - i.e. micro - terms)

^{*} Glickman, 1971, does very well to build a model of the Philadelphia metropolitan area on that basis, consisting of 26 linked structural equations.

^{**} In practice, not being able to apply general macro-economic theories does not hinder us. If we wanted to explain the absolute level of an economic variable Y - where $Y = f(X_1, X_2, \dots, X_n)$ - we would need to know the values of all the independent variables ($X_1 \dots X_n$), so we would need a general theory. But that is not what we want theory for in local economic planning; as explained earlier, we want to be able to predict changes in economic variables (e.g. Y) resulting from known changes in other economic variables (e.g. X_r). In order to do that, we need the partial theory - $Y = f(X_r)$, ceteris paribus.

^{***} More examples are given in Hirsch' textbook (1973) chapters 7 and 8.

cannot be combined with macro-economics.[ⓧ]

v) The state of economic theories of locational effects

It is the aim of this chapter to investigate the state of theories in local economic planning in order to discover whether there are such theories for suggesting solutions to planners, and if so how good the theories are and what applications of local economic planning they are good enough to support. To meet that aim, we have focussed on the special theoretical requirements of local economic planning - the need to explain the locational effects. And now we have identified the theories which explain both sorts of locational effects - the locational consequences, and the leakage effects. We intend to investigate the state of those theories. However, that cannot be done without more preparation: the locational effects are caused by the openness of local economies, and in order to evaluate how well the theories explain locational effects we need first a better understanding of the openness of local economies. We now turn to that subject.

[ⓧ] It is possible to conceive of macro-economic theories of local economies being used to predict locational consequences. Some macro-economic theories have been developed of one area trading with the rest of the world (see later and appendix C to this chapter). If such theories could be expanded from one region trading with the rest of the world to one region trading with many other, specified regions, then the effect of a change in one region on the other regions could be predicted. But it must be said that at present a multi-regional theory is no more than an economist's pipe dream.

The openness of local economies

i) How open are local economies?

The locational effects of local economic planning will be greater, and hence the task of the relevant theories will be more important, the more open are local economies. So first we need an idea of the degree of openness.

Casual observation suggests that local economies are very open. People (i.e. labour as a factor of production) live in one area, work in another. People (i.e. consumers) earn money in one area and spend it in another. Firms buy inputs from the whole country and often sell their outputs as widely. Central government taxes incomes in London and gives the money as subsidies in Scotland.

Systematic observation confirms such casual observations. Brown (1972) analyses data for the standard U.K. regions (e.g. the ratio of regional external trade to regional G.D.P.) which show those (big) areas to be economically very open: e.g. for the W. Midlands in 1967, the average of its imports and exports was 1.4 times its G.D.P. Moreover, some of the analyses indicate that the smaller the area (measured by its G.D.P.) the more open it is: so we may expect urban areas to be even more open than those regions. Morrison (1973) has produced one of the few sets of social accounts for a town: his data for Peterborough show that in 1968, total output was about £400M, imports were £103M, exports £160M. So we can take it, without more study, that local areas are very open economies. Hence we need to take the locational issues seriously.*

* Netzer (1974, p.261) gives a good example of the openness of local economies and its consequences. "Prior to 1965, New York City was a sales-tax island, for there was no sales tax in either adjacent New Jersey or in the surrounding suburban counties in New York State. A careful economic study indicated that the city's sales tax (then 4 percent), by itself, was responsible for the diversion of nearly 25% of the city's retail sales of house furnishings and apparel to suburban areas. This in turn had serious effects on employment in retail establishments."

ii) Four ways in which local economies are open

There are four ways in which local economies are open, and theory must take account of all of them. One is the physical ease of factor movements across the local boundaries. Another is the physical ease of personal movements causing changes in the city's net external factor payments. Another is the physical ease with which imports and exports can be traded and be changed. The last is the absence of institutional constraints on some of the economic flows across local boundaries. The first three causes of openness have received much more attention than the fourth.

iii) The physical ease of factor movements

Brown (1972) describes this first type of openness as follows. "The peculiar problems of regional policy arise largely because resources of many kinds are neither perfectly mobile nor perfectly immobile between regions, but have a finite degree of mobility which, while it cannot be ignored, is not large in relation to the rate at which patterns of demand and technology change In seeking to operate on the location of population and industry, policy is dealing not with quicksilver, but with treacle. (p.3)".[ⓧ]

iv) The physical ease of personal movements

The second type of openness is related to the first. Suppose a person lived and worked in Birmingham, then moved to live and work in Manchester. That is in the first category, a factor of movement of treacle speed.

[ⓧ] It is possible that we can reduce the difficulties this causes by working at two time scales - the short-term, within which factors can be regarded as immobile because the treacle has not moved any appreciable distance, and the long-term after the treacle has found its new level: see later.

Suppose, however, the person living and working in Birmingham moves house to Stafford but keeps his job in Birmingham. Birmingham has not lost a factor of production, but payments by Birmingham industry for that factor now go outside the city. Suppose that the person gets a job in Stafford but keeps his house in Birmingham. Now Birmingham has lost a factor of production, but gains factor payments from outside the city. In one case there is a factor movement, in both cases Birmingham's net external factor payments change. They can be quicksilver changes and the flows of money involved are likely to be significant (see, e.g., the Census of Population data on the amount of migration between adjacent local authority areas).

v) The physical ease with which imports and exports can be traded. The third type of openness also involves movements at the quicksilver rate. I was going to buy a car from the local garage, but the desired colour is not available so I pick up the 'phone and place an order with the garage in the next town. So quickly and easily can I cause an increase in my town's imports. The same might apply to a firm buying inputs. Suppose a university buys its paper supplies locally. Then a competing producer from another region offers similar paper at the same price (he absorbs all freight costs) but with quicker delivery. So the university starts to import its paper.

vi) The absence of institutional constraints on economic flows across local boundaries

The fourth type of openness also involves quicksilver movements, but causes us especial difficulties: moreover, it is not widely recognised, so the difficulties have been little resolved. The cause of the openness may be expressed as follows: a sub-national area is not treated as a self-contained unit for accounting purposes, so its imports and exports need

not balance. In that way, a sub-national area is different from a nation and the theory of international economics applicable to the latter cannot be applied to the former.

This fourth type of openness is investigated in appendix B to this chapter. Here we shall just state the conclusion of that investigation: it is that transfer payments between the local economy and the rest of the world are unconstrained.

That has very important consequences for local economies which can be summarised as: a town does not have to export in order to import. Export or die! might apply to the U.K., but it does not apply to Manchester, or to Scotland. For example, a region can build up a trading deficit on inter-regional account over several years but never have to pay off that debt, or it can earn a trading surplus on inter-regional account and never be able to use it as a claim against other regions.

Theories of the urban economy have not ignored such transfers: the transfers are an important component of what are called "leaks" into and out of the town (see, e.g., chart 8.1 in Brown, 1972). What have been ignored are the implications for theories of the urban economy of the fact that the leaks are unconstrained. For example, "city state" approaches, which assume that the money values of an area's transactions with the rest world have to balance, can now be seen to be invalid (see the discussion earlier).

With the fuller understanding thus gained of the openness of local economies we can appreciate better the locational effects of local economic planning which the openness causes. So now we are prepared to evaluate the economic theories which explain those locational effects.

The state of micro-economic treatments of locational consequences

The micro-economic approach to local economies combines, as we have said, location theory and micro-economic theory. We shall examine first the state of location theory, then the state of its combination with micro-economic theory.

i) Location theory

Location theory has been developed to explain the locations of effects with causes in known locations, so should be able to explain the locational consequences of local economic planning. Indeed, when we consider the four ways in which local economies are open, we see that three of them - ease of factor movements, ease of personal movements, and ease of importing and exporting - are the substantive concern of location theory.[ⓧ]

What, then, is the current state of location theory? The most difficult theoretical venture is always producing a general theory. What is the state of development of general theories of location? Richardson has this to say (1969, p.101). "As yet, no fully satisfactory general theory of location has been developed. It is not difficult to outline some of the main factors affecting spatial economic activity and to demonstrate their influence in a broad unsystematic fashion, but such an approach fails to develop any rules for explaining the structure of the space economy." On the same subject Hirsch says (1973, p.9), "the state of the art is such that it is more meaningful at the present time to apply micro theory in a partial rather than a general equilibrium framework."

[ⓧ] The fourth way in which local economies are open - unconstrained factor payments - cannot be explained by location theory because, as we said in appendix B to this chapter, such transfers are inexplicable in economic terms.

What is the state of development in that easier theoretical task, producing partial theories of location? It is notable that although many partial theories have been produced to explain locational consequences, there is little evidence yet to give us faith that any of them are true: either the theories are not yet in a form where they can be tested empirically, or empirical testing has cast doubt on them or been inconclusive. For example, Brown (1972, chapter 10) describes the movements of people and capital between U.K. regions and can find no theory to explain them adequately. In a review article Hoover (1968) discusses partial theories of location, and cannot describe any of them as established. A review of location theories applied to explain patterns of urban development is made by Harris (1968): he is similarly sceptical.^x

Are there any exceptions to that sweeping description of the state of partial theories of location? One exception might be the well developed set of theories of traffic distribution used in transport studies; but they are of limited applicability, not even being transferable from one city to another (Harris, 1968, p.406). The same criticism has been made of another well developed set of location theories - those explaining which shops people visit (Distributive Trades, 1970).

ii) The combination of location theory and micro-economic theory.

Location theory on its own tries to explain the directions of flows (the locational consequences): in combination with micro-economics it tries to explain the economic size of flows (and therefore the leakage effects).

What is the state of that combination? Hirsch (1973, p.xvi) calls it

"... an extremely difficult undertaking in the present state of our

^x See also Needham, 1977a, chapter 10 for discussion and examples of the unusable state of most transport theories - i.e. location theories - of land use.

knowledge", and deliberately omits it from his textbook on urban economics.

ii) Conclusions on micro-economic treatments

Our first concern is with the presence of theories of locational consequences and leakage effects as a stimulus to ideas for planning practice. We conclude that there is no shortage of such theories in micro-economic approaches to local economies.

Our second concern is with the state of such theories. The only conclusion we can give is the very forthright one: micro-economic approaches to local economies are not yet developed sufficiently to enable us to predict reliably either the locational consequences or the leakage effects of applying local economic measures.

The state of macro-economic treatments of leakage effects

We are taking the partial equilibrium approach to macro-economic theories of local economies, and that approach combines two things - macro-economic theories of the national economy, and the assumption of stable economic relationships between the local area and the rest of the world. The approach then tries to explain the leakage effects of local economic planning. It would not be appropriate in this thesis to review the state of macro-economic theories of the national economy: but it is very appropriate to investigate carefully the assumption of a local area having stable external economic relationships.

i) The stability of an area's external economic relationships

The discussion of this issue quickly becomes complicated and technical, so is put not in the text but in appendix C to this chapter. Here we report the results of that discussion.

The results are that an area's external economic relationships are more likely to be stable in some conditions than in others. The conditions where stability is less probable are:

- an underdeveloped economy
- full employment of productive capacity
- big changes in the local economy
- big changes in the rest of the world
- changes over a long period.

ii) Conclusions on macro-economic treatments

Our first concern is with the presence of theories of leakage effects to stimulate ideas for planning practice. Our conclusion is that there is an abundance of such theories: there is no shortage of partial macro-economic theories of the national economy, and there is no shortage of ideas about

how to combine those theories with particular assumptions about an area's external economic relationships (see appendix C to this chapter).

Our second concern is with the state of theories about leakage effects. Our review of theories about a local area's external economic relationships has shown us the conditions in which those relationships are less likely to be stable and, hence, predictable. Hence it is in those conditions that the combination of macro-economics and the assumption of stable relationships is likely to produce less reliable predictions. Hence the predictions by macro-economic approaches of the leakage effects of local economic planning are likely to be less reliable in those conditions.

iii) Combinations of macro- and micro-economic treatments of locational effects.

It is convenient to mention here that a few theories of local economies have been developed which combine the macro- and the micro-economic approaches. The Lowry model (Lowry, 1964) is the best known, a combination of partial equilibrium approaches (economic base) and location theory (a gravity model). There is an exogenous increase in basic employment in a zone within a region: the size of extra employment and population generated is predicted by the economic base theory: the location by zone of extra employment and population is predicted by the gravity theory. The method is ingenious but suffers the limitations described above of both micro- and macro-economic approaches.

Certainly, the empirical success of the Lowry model when applied by Lowry to Pittsburgh was not encouraging. The model accounted for only 58% of the variation in retail employment in zones throughout the area, and 62% of the variation in population. In a test on the Reading sub-region

by Foot (1973), the model fared better and accounted for 83% of the variation in population change over 5 years. Nevertheless, Harris (1968, p.382) considers that coefficients of determination in such zonal models should be in the vicinity of 0.95 to 0.99.

It is a matter of judgement and debate whether a theory with errors of such magnitude should be used for public planning. And that consideration is the subject of the final section of this chapter: what applications of local economic planning are suggested and can be supported by the current state of the theories which explain the locational effects of such planning?

Conclusion

"Theories in local economic planning" is the subject of this chapter, and we have concentrated upon the special requirements which such planning makes on theory, vis: theories are required to explain the locational consequences and leakage effects of local economic planning. And our main question has been: what is the state of those theories? a question which arises from our concern with practice, for we established early in the chapter that poor theory hinders practice.

We have found that the practice of local economic planning is not hindered by the absence of theories: there are many theories which suggest ways of reformulating problems and ways of tackling them. But is the practice of local economic planning hindered by the poor state of such theories? To answer that we have been investigating the relevant theories, in order to discover how good they are and, conversely, how their weaknesses might hinder practice. Accordingly, we present our conclusions in terms of the limitations which the current weaknesses in local economic planning theories impose on the practice of such planning.

Before we do that, however, it is worth noting the strengths in local economic planning theories. The main strength is that such theories draw very heavily on mainstream economics. To be able to build upon a body of theoretical knowledge which has been developed and refined for 200 years promises a secure foundation for theories in local economic planning. Moreover, although we have found the main theoretical difficulties to arise in trying to adapt mainstream economic theories to local economies, we have found also that well tried economic concepts can be used in that adaptation, and that the necessary theoretical development is proceeding promisingly. Certainly, we can expect the weaknesses in local economic

planning theories to be steadily removed. And, to look at the current state of theory in another light, it is undoubtedly healthier, more refined, and better tested, than the theories in local physical planning (see, e.g., chapter 4): theories support local economic planning much better than they support local physical planning.

i) Limitations arising from the difficulties in explaining locational consequences

Our conclusion was that theories are not yet developed sufficiently to enable us to predict reliably the locational consequences of applying local economic measures. It follows that, until the theories are improved, local economic measures should not be applied, or should be applied only with great care:

- in order to achieve ends in a location different from that in which the measures are applied
- in cases where the experience and theory that are available suggest that the measures applied in one location will have significant side-effects in other locations.

ii) Limitations arising from the difficulties in explaining leakage effects

Our conclusions were in terms of the conditions in which such explanations are least reliable. From those conclusions it follows that, until the theories are improved, local economic measures should not be applied, or should be applied only with great care:

- if they are such as to cause changes in the local economy big enough to cause significant changes in the outside economy
- solely for long term advantages (because predictions cannot be made reliably for more than, say, 5 years).

Moreover, explanations of leakage effects tend to be unreliable in the following conditions:

- an underdeveloped economy
- full employment of productive capacity
- where there are big changes in the outside economy sufficient to change its structural relationships with the local economy.

So local economic measures should not be applied, or should be applied only very carefully, in such conditions.

Examples of how those limitations affect the ways in which the practice of local economic planning could be extended are given in chapter 12.

Appendix A to chapter 6

Integrating economic theories of locational effects into theories in local economic planning

- i) The contribution made by economic theories to theories in local economic planning.

One of the difficulties with theories in local economic planning is that they must explain the effects of economic measures on non-economic variables as well as on economic variables. For example, it might be desired to use economic measures to change the social structure, to affect building rates and land uses, to reduce poverty. Connections between economic means and such non-economic ends take us to the margins of economic theory and perhaps beyond. So theories in local economic planning might have to go beyond economic theory. How can the theoretical task of explaining be divided between economic and non-economic theories?

We need theories in local economic planning in order to be able to explain the causal links expressed diagrammatically as:

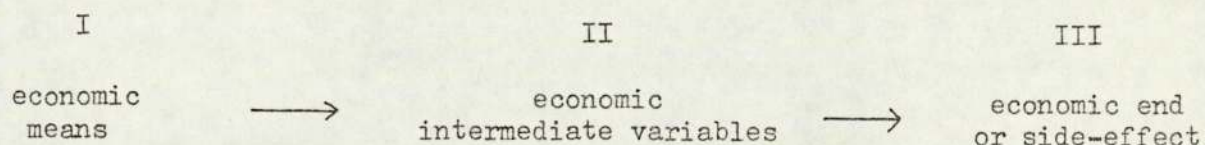
economic means	→	economic, physical, social ends
specified by location		and side-effects specified by location

We can expand that causal chain, using the cause-and-effect sequence described in chapter 1:

instrumental variable	→	any number of intermediate variables	→	policy variable and other final effects
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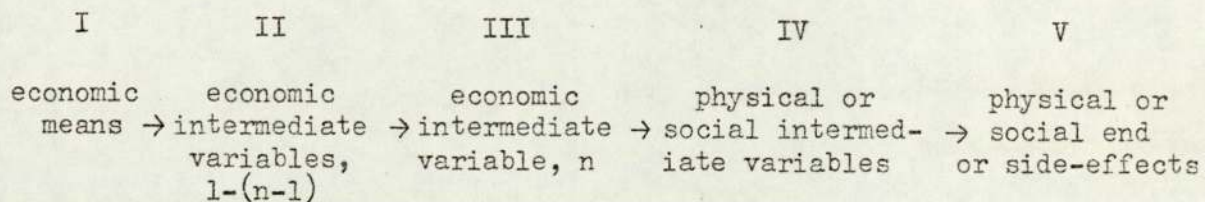
Now let us distinguish between the economic ends and side-effects and the non-economic (physical and social) ends and side-effects.

For economic ends and side-effects the chain expands as:



Those causal relationship I to III can be contained within economic theory.

For non-economic ends and side-effects, the chain expands as:



The causal relationships I to III can be contained within economic theory, relationships III to V go beyond standard economics.

In that way we can distinguish the contribution made to theories in local economic planning by strictly economic theories.

ii) The contribution made by economic theories of locational effects.

The contribution made by economic theories of locational effects should be contained within the contribution made by economic theories generally.

That can be done only if all the locational effects can be contained within the causal relationships I to III. The following two practical examples show how that can be achieved.

iii) Treating locational effects within the economic theory contribution.

Suppose the new towns around the West Midlands conurbation accommodate manual workers but very few non-manual workers, as a result of which there are poor prospects of upward social mobility for manual workers and there is a lack of community leaders in the new town. Suppose it was decided to tackle that problem by giving cash incentives to firms within the conurbation, an incentive dependent upon the number of new jobs created in the

new town. Then the cause-and-effect chain could be written as:

certain cash incen-	certain number	changed occupat-	more community
tives to firms in	→ of extra jobs,	→ ional structure	→ leaders and better
conurbation	by industry &	in the new towns	social mobility
	occupation, in		in the new towns
	the new towns		

(Economic theories)
 (- includes locational)
 (issues:)
 (conurbation → new towns)

(extra-economic theories)
 (- no locational issues:)
 (all in the new towns)

For another example, suppose that we want to predict the effect of the new National Exhibition Centre at Bickenhill on poverty in Birmingham.

A simplified cause-and-effect chain could be written as:

N.E.C. built	demand for	more income	Reduction of
at	more workers	earned by	poverty in
Bickenhill	→ of certain types	→ Birmingham	→ Birmingham
	at Bickenhill	residents	

(economic theories)
 (includes locational issues:)
 (Bickenhill → Birmingham)

(extra-economic theories)
 (- no locational issues:)
 (all in Birmingham)

iii) Theories in local economic planning divided into two parts.

In that way, we divide theories in local economic planning into two parts.

The first part explains relationships between economic causes and economic effects, both specified by location. Let us call such explanations

theories of the urban economy.[ⓧ] The contribution made by economic theories

[ⓧ] Note that, although we talk about theories of the urban economy we shall be using in our discussion of it much of the theory which has been applied to regions. Indeed, what we call later in this chapter urban macro-economics, Richardson (1969) quite firmly calls regional macro-economics. The similarity is because cities and regions are both areal parts of the national economy, sub-national economies which are very open to the national economy. The main difference between them is that the region, being larger than the city, is probably less economically open than the city. Hence a city can be considered as a special case of a region, or vice versa, and the theory applicable to one is applicable to the other.

of locational effects (which theories are described in the main text) is contained within such theories of the urban economy. The second part of theories in local economic planning explains relationships between economic causes and non-economic effects, neither specified by location. Such explanations can be called economic theories of urban problems.

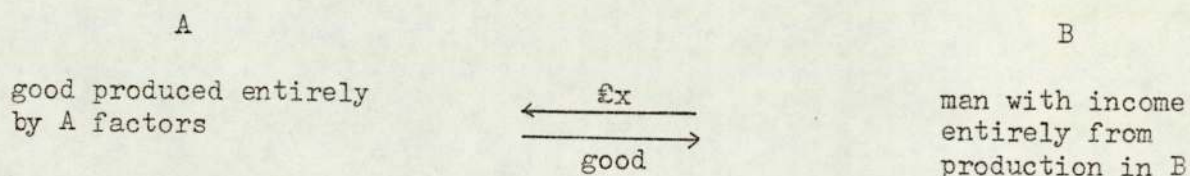
Appendix B to chapter 6

The absence of institutional constraints on economic flows across local boundaries

This was identified in the main text as the fourth way in which local economies are open. Here we investigate it further.

This type of openness can be illustrated with the following example.

Suppose there are two areas, A and B, and a man in B buys a good from A.



International trade

Suppose A and B are independent nations. Suppose they use the same currency (£) and maintain a constant exchange rate (that avoids problems of changing relative values). After the purchase, A has a claim on B for £x, which it can use to buy £x of consumer commodities from B, or to buy £x of capital stock in B, or which it can hold as a liquid asset realisable at some date against B.

Inter-regional trade.

Suppose A and B are towns. After the purchase, households in A have £x more disposable income, households in B £x less.

Suppose that 'A' households use that £x to buy £x of commodities produced in B, for which there is not the consumer demand in B (because household income in B has lost £x). If that happens inter-regional trade is analogous to international trade. (For a description of a region's inter-

regional payments mechanism in this simple case see Ingram, 1959). Such is the assumption of many theories of the urban economy. But there is another set of possibilities.

- Either, the government may levy an extra tax on A of £x and give an extra subsidy to B of £x,
- Or, parents in A may give a gift of £x to children in B,
- Or, a firm with plants in A and B and a set of accounts which does not distinguish between the separate plants may reduce payments to A factors by £x and increase payments to B factors by £x, although the outputs of the A and B plants are unchanged. (An international example would be of a multi-national firm switching profits between its national branches in order to minimise its tax payments.)

If any of those possibilities happens, then A's claim on B is wiped out, as are the excess of income over output in A and the deficiency of income over output in B. If so, inter-regional trade is not analogous with international trade.

So the main difference between international and inter-regional trade involves transfer-payments (as distinct from payments for resources or for commodities). The important difference is not that those transfers exist: there are international transfer payments also. Nor is the important difference that the transfers are unrecorded: true, they are recorded in international trade, but that difference is the effect of the crucial difference described below. Nor is it that the transfers are inexplicable as the systematic effects of causes: international transfers - e.g. repatriation of immigrants' incomes, Britain's contributions to EEC funds - are not explicable as the effects of economic causes. The import-

ant difference is that the transfers are unconstrained: there is no need for inward and outward transfers to be equal in the short or the long run, or for a net imbalance of transfer payments to be equalised by an opposite net imbalance of payments for goods, services, or investment. (It is for such reasons that Prud'homme (1975) suggests that urban economics is so different from other branches of economics that it requires a separate study and a separate name, 'poli-economics'.)

An example of the way in which there has been neglect of the implications of such unconstrained transfer payments for theories of local economies can be found in Hay (1974). He writes, "A region which runs a current balance of payments deficit may be financing that deficit by increasing regional indebtedness, which is effectively a capital import (though it may be spent on consumption rather than capital goods). On the other hand, a region with a consistent balance of payments surplus is effectively exporting capital. In some examples it can be shown that regions finance deficits by running down capital reserves; for reasons already noted this will not be the surrender of capital already invested in the region (land, buildings, machinery) but the liquidation of holdings in the central capital markets, government stocks etc. Similarly, the existence of a regional trading export surplus may result in the accumulation of capital reserves held by individuals and companies resident in the region, but not in an increase in capital investment in the region." (p.106). That analysis of the economic relationships between a local economy and the rest of the world is, we can now see, incorrect.

Is such a neglect of unconstrained transfer payments an important omission? It depends on the size, absolute and relative, of the transfers, and Brown

(1972, tables 3.3 and 3.11) gives some figures for the U.K. regions which enable us to judge that. We reproduce them here.

Regional balances per head, 1961

£ per annum

Region	GDP	Net export of goods and services	— — — — net factor receipts	Financed by — — — — net public sector expend	— — — — other
	(a)	(b)	(c)	(d)	(e)
North	410	+13	-20	+7	-
E & W Ridings	452	+46	-17	-9	-20
North West	449	+21	-21	+11	+11
N Midlands	463	+34	-17	+6	-23
W Midlands	489	+19	-20	-19	+20
S E England	503	-	+20	-10	-10
South West	400	-74	+25	+40	+9
Wales	401	-54	-16	+28	+42
Scotland	392	-9	+1	+13	-5
Ireland	289	-65	+6	+43	+16

Notes: (b) is the difference between GDP and expenditure, each estimated independently.

(c) includes property income, pensions, and interest from the public debt.

(d) is the difference between receipts to and expenditure by the public sector, each estimated independently.

(e) is a balancing item

For an explanation of how these figures were derived, see Woodward, 1970.

Of the three types of transfer payments which we have identified (inter-firm transfers, inter-person transfers, and government transfers) only one - government net transfers, column (d) - is shown on this table.

Transfers between plants of the same firm have not been taken into account in estimating regional expenditure, and hence they distort the

estimates of net export. Gifts between individuals will be included in column (e), the balancing item, along with private capital movements.

What does the table tell us? Bearing in mind the inadequacies of the data we can say only this: that government net transfers, although a small proportion of regional GDP, are in many regions a large proportion of the net import/export balance. As a result, the transfer payments cannot be ignored and the fact that they are unconstrained is significant. This conclusion is derived from data for regions: it is likely to apply no less strongly to towns.

One of the very few studies of such transfer payments has been made by an American group - the Association for the Study of the Grants Economy - which exists to promote the study of the importance of grants in the economy, as a complement to the recognition of the importance of market exchanges. One of its publications (Boulding, 1973) is a collection of papers about public transfers and private charitable transfers between different parts of towns, between towns, and between states. It reports empirical results which show that public transfers within and between American cities are significant in size and distributional effects.

Appendix C to chapter 6

The stability of an area's external economic relationships

The issues are clarified by showing an area's external economic relations (the money flows across its boundary) on a social accounting matrix. The particular version of the S.A.M. used expresses this most clearly. With it can be demonstrated most of the four ways in which the urban economy is open.

Ease of factor movements

Most capital movements can be treated as industrial loans: a Birmingham firm investing its savings in a new plant in Wales will expect to receive back interest and profits from Wales. On the SAM, external loans are outlined in yellow (column 8, row 1; column 1, row 8). Labour movements cannot be shown on a SAM. If a person moves and takes capital or savings with him then, as well as the labour movement, there is a capital movement which cannot be treated as a loan and which, therefore, cannot be shown on the SAM.

Ease of personal movements

The movements of a person as a factor of production cannot be shown on the SAM. However, the changes in net external factor payments resulting from a change of residence but not job, or a change of job but not residence, can be shown on the SAM: such external factor payments are outlined in blue (column 1, row 6; column 5, row 2).

Ease of importing and exporting

Current and capital external trade can be shown on a SAM: imports and exports of goods, services, and loans are outlined in green (column 1, row 5; column 2, rows 5,6,8; column 3, row 8; column 5, row 1; column 6,

I N T R A - U R B A N

I M P O R T S

	1 local industry	2 local households	3 local government	4 local capital
1. local industry	○	current & capital purchases by local households from local industry	grants to local industry from local government	borrowing by industry from area sav
2. local households	wages, profits, interest, rents to local households from local industry	○	welfare payments to local households from local government	borrowing by households from area sav
3. local government	local taxes paid by local industry	local taxes paid by local households	○	borrowing by government from area sav
4. local capital	saving remaining in area by local industry	saving remaining in area by local households	saving remaining in area by local government	○
5. other industry	current and capital purchases of intermediate inputs by local industry from other industry ⊕ intra-firm transfer payments, local to other	current and capital purchases by local households from other industry	grants to other industry from local government	
6. other households	wages, profits, interest, rents to other households from local industry	domestic service wages to other households from local households ⊕ transfer payments from local to other households	welfare payments to other households from local government	
7. other government	taxes paid to other government by local industry	taxes paid to other government by local households	grants to other government from local government	
8. other capital	saving leaving area by local industry	saving leaving area by local households	saving leaving area by local government	
9. LOCAL TOTALS	TOTAL EXPENDITURE BY LOCAL INDUSTRY	TOTAL EXPENDITURE BY LOCAL HOUSEHOLDS	TOTAL TRANSFER EXPENDITURE BY THIS LOCAL GOVERNMENT	

rows 1,2; column 8, rows 2,3).

Unconstrained external transfer payments

Governmental transfer payments are often shown on a SAM; there is no reason why the other two types of transfer payment (intra-firm and inter-household) should not also be included. All external transfer payments are outlined in red (column 1, rows 5,7; column 2, rows 6,7; column 3, rows 5,6,7; column 5, rows 1,3; column 6, rows 2,3; column 7, rows 1,2,3).

A SAM does no more than record those external flows. We want to be able to ask how stable the causes are. We shall consider each of the four types of openness separately.

i) Factor Movements

We reported in the text of chapter 6 attempts to find location theories of inter-regional factor movements. There are alternative theories of such movements, macro-economic theories, which claim that factors move into or out of an area as the systematic effect of certain exogenous causes: that is the theory of the export base or (more generally) the economic base. According to that, a change in an area's "basic" economic activities causes a change in the area's "non-basic" activities, and the change in total activities causes a corresponding movement of factors across the area boundary. The question of stability thus becomes: how stable is the area's economic base multiplier?

There has been some study of that question. Tiebout (1962) in his refinement of economic base theory gives several reasons why he thinks the multiplier is stable, but does not test them empirically.^x Among the

^x Unreasonably, he puts the onus on his critics to do that empirical testing.

reasons for stability which he gives are:

- ease of entry into and exit from the market for local service firms, enabling non-basic industry to respond quickly to changes in demand.
- if local income grows, the tendency for increasing imports as consumers grow richer and change their consumption patterns will be offset by the tendency for decreasing imports as the local market grows and locally produced goods can be substituted for imports.

Tiebout says that those reasons for stability support the assumption of a stable multiplier measured in income more than a multiplier measured in employment.

In an earlier article, Tiebout (1956) quotes a study which found a stable basic/non-basic ratio in an American city between 1940 and 1947. And Brown (1972) finds the economic base multiplier in British regions constant over fairly long periods. On the other hand, Brook and Hay (1974) say that studies "suggest that the multiplier changes over time quite quickly", but do not specify the studies.

We must now introduce time into our discussion of factor movements. In the very short run, we can assume that factors have not had time to move, that they are immobile. In the long run, we can assume that factors have moved (perhaps according to economic base theory) and are in a new equilibrium. That distinction gives us two versions of the area multiplier - the Keynesian multiplier, before factors have moved, (which is what Brown estimates in the example given earlier), and the economic base multiplier, after factors have moved.

Tiebout (1962) goes further and divides the long run into two: in the shorter period, exports, local investment, and local government current

operations are exogenous, in the longer period only exports are exogenous. That gives a "short run" economic base multiplier and a "long run" economic base multiplier. By distinguishing thus between the time periods of multipliers, empirical investigations of the stability of the local multiplier might be made more conclusive.

ii) Personal movements

There has been much less study of the economic effects of people moving places of work but not of residence, and places of residence but not of work. Many of such personal movements will be matched by opposite movements, so that there is no net effect. For example, a person previously living and working in Birmingham, who moves out of Birmingham but keeps his job there, might sell his house to a person who moves from outside Birmingham but who keeps his old job. And the Birmingham job of a person previously living and working in Birmingham, who takes a job outside Birmingham without moving house, might be taken by a person who previously lived and worked outside Birmingham and who takes the job without changing house. However, we know that such personal movements do not always balance out, and that in England most big cities have been losing population faster than jobs (see, e.g., Vol.III of the report of the Royal Commission on Local Government in England, 1969).

There is no adequate quantitative theory which explains such net movements. But as the net movements are at treacle speeds (the gross movements are faster, but the net movements require new housebuilding), we can ignore them if we restrict ourselves to predicting over a short period. Over longer periods, the net movements might be treated as exogenous to the theory, determined by physical planning policies.

iii) Imports and exports

The stability of an area's imports and exports have been studied, inconclusively, but there are some useful ideas and findings to report.

One of the first serious studies was by Moses in 1955, and he established a sophisticated and useful framework. He constructed a framework of inter-regional accounts, with two sectors only per region, production and final demand. The production sector was disaggregated into an inter-industry matrix. All imports and exports, not only of intermediate products but also of consumer and capital goods, were routed through the inter-industry matrix. Then he defined a "trading coefficient", b_{xy}^{ij} , as the value of goods from industry x purchased by region j from region i per unit of output of industry y in region j .

If our interest is in trade between several specified areas, we need to use that detailed form of trading coefficients. If our interest is, more simply, in trade entering or leaving one specified area, we can use a simpler form. The trade coefficient is then t_{xy} - the input to produce one unit of output of industry y in the specified area from industry x in the rest of the world. That form of trade coefficient is used by Miernyk and Giarratani (1974).

We can now ask our question about the stability of an area's external relationships as: how stable are trading coefficients?

iv) The stability of trading coefficients

There is no reason to think that trade coefficients of either form must be stable. Moses himself says (1955) "the assumption of stable trade coefficients is the crucial issue. Clearly the logic behind the assumption of fixed production (i.e. technical) coefficients is inapplicable. There

is nothing in the nature of an engineering production process which can be interpreted to imply that, say, Alabama rather than Pennsylvania coke must be used in the production of steel, or that the two must be used in fixed proportions by the mills in a region."

Moreover, there are good reasons for expecting trading coefficients to be unstable. For example, Tiebout (1957) points out that if trading coefficients are stable during industrial growth in an area, then agglomeration economies are not working. And an area may produce import substitutes, either as a long run response to local demand (e.g. Brown, 1972, p.192), or as area income grows and local demand crosses the threshold for efficient production. Hirsch points out that those reasons apply to input-output analysis applied nationally, and says that "there is no reason to expect that their effects will be any more damaging to an urban than to a national analysis" (1973, p.209): our discussion about the openness of local economies suggests the opposite conclusion.

Empirical evidence about the stability of trading coefficients is very sparse. Moses, in his 1955 study estimated the coefficients for two years, 1947 and 1949, and concluded, "Our empirical investigations have revealed some year to year variations in the trade coefficients. However, the author believes that they have exhibited sufficient stability to warrant their being subjected to further statistical evaluation on various levels of regional and commodity aggregation". However, reviewing his work 13 years later, Moses was objective enough to be able to say of it, "The evidence for stability that has been presented is not convincing, because all economic activity was grouped into a few gross industries and regions, with changes over time in individual market and supply areas probably

balancing out" (Moses, 1968).[⌘]

Emerson (quoted in Miernyk and Giarratani, 1974) calculated import coefficients for the State of Kansas in 1965 and 1970, and found some big changes. Miernyk and Giarratani (op cit) consider it unwise to assume that trade coefficients are stable, and instead introduce exogenous changes into those coefficients. Miernyk (1973) reports a study which made trade coefficients change (decrease) slowly over time, as import substitutes were developed.

Perhaps empirical evidence would be more helpful if it took account of the theory about the conditions under which we might expect trading coefficients to be stable. The conditions which Tiebout gave for expecting a stable economic base multiplier (see earlier) are also conditions for stable trading coefficients. Isard and Kavesh (1954) suggest that coefficients will be more stable the more mature and developed the economy. Moses, in his 1955 article, goes into more detail. First he assumes pure competition and zero intra-regional transport costs, the implications of which for inter-regional trade he shows to be not unrealistic. With those assumptions he argues that stable trading coefficients depend on stable regional cost/price relationships and spare regional capacities for production and distribution. He concludes, "On the whole, the model appears best suited for short-run analysis under conditions of less than full employment of labour, plant and equipment in each region."

So the theory and evidence for stable trading coefficients is inconclus-

[⌘] Note the implication that the bigger the area the greater the stability of the coefficients, and vice versa. Moses divided the United States into 3 regions; we are talking about individual cities.

ive.

However, if the trading coefficients are unstable, that does not invalidate our assumption of stable external relationships. Trading coefficients are just one form of expressing external relationships: perhaps another form is better. For example, Hirsch (1973, p.215) suggests using a stable import function as follows, "If the form of the import relationships is specified so as to explicitly include a marginal propensity to import, then the propensity can itself be made a function of the level of output of the area such that, as the area output rises, the propensity to import falls, reflecting the effect of the production of import substitutes as the market size of the area grows." And Sadler (undated) considers the possibility that rising incomes in an area will alter the pattern of imports by changing personal consumption patterns: he meets that possibility by positing marginal propensities to consume local goods for various income groups, then by estimating how an increased area income will change the distribution of residents between income groups.

More complicated forms of expressing external relationships are those which substitute for stable trading coefficients in input-output analysis stable equations describing inter-regional trade flows as functions of the distance between areas and of the demands for and supplies of goods by area: see, for example, the work of Leontief and Strout (1963) and of Polenske (1970). An alternative approach is to use linear programming to explain inter-regional trade flows as the result of certain optimising decisions: Moses (1968) reports some examples of this. Miernyk (1973) reviews several such attempts to express external relationships in terms other than trading coefficients.

Another method does not require theories of inter-regional trade, as it uses instead theories of how prices, and then exports, change in response to changes in demand. The early stages in such a theory are described by Waelbroek and Guillaume (1970).

What is the state of such attempts to explain trade between small areas as the result of stable structural relationships. Lecomber (1970, p.25) judges some of them theoretically and is sceptical. "Even internationally the determinants of trade are complex and single assumptions are barely adequate. For regions, the problems are compounded by the extreme openness of their economies, the instability of trading patterns, increased by the small number of local enterprises and initiatives of a large outside body (the Central Government) ...". Unfortunately, there have been too few empirical tests of those theoretical attempts.

v) External Transfer Payments

As we know so little about these payments, and as they are probably inexplicable (or only partly explicable) in economic terms, our study of their stability must be very simple.

There are three components, we have said: intra-firm transfers, inter-household transfers, and government transfers. It seems plausible to assume that the first two are smaller and more stable than the third; so we shall concentrate on the government transfers. One approach is to try to explain those government transfers in economic terms: for example, Brown (1972, pp.182,183) suggests that taxes flowing out of the region and welfare payments flowing in are both proportional to the area output. Probably that is far too simple, but it might be used as follows: assume that changes in government transfers are in two parts, one explicable in

economic terms (e.g. as a function of area output), the other inexplicable but known (e.g. the doubling in Regional Employment Premium announced in July, 1974). Even that, however, might be too simple: the American study of inter- and intra-urban grants (Boulding, 1973) showed that it is often difficult to predict the area incidence of government transfer payments.

vi) Conclusion

This appendix has studied the assumption on which is based the partial equilibrium approach to the study of local economies, the assumption that an area's external economic relationships are stable. The only conclusion we can give is that the assumption seems to stand up quite well to the few theoretical and empirical tests to which it has been put, as long as we remember the conditions in which the assumption probably cannot be applied. The conditions are:

- an underdeveloped economy
- full employment of productive capacity.

To those conditions we must add the conditions in which any partial equilibrium theory becomes suspect (remember that we are treating the local economy as being in partial equilibrium with the rest of the world):

- changes in the local economy big enough to cause more-than-marginal changes in the rest of the world
- endogenous changes in the rest of the world big enough to change its structural relationships with the local economy.

And for caution we must add another condition in which we would not apply partial equilibrium approaches:

- to predict changes over a long period, during which technological or institutional factors might have changed significantly. (We want to be able to include the effect of factor movements, so we need to con-

sider changes over, say, 5 years. Predictions for a longer period than that would probably become unreliable.)^{*}

^{*} In the light of those conditions it is surprising that Morrison, 1973, claims that his input-output model of Peterborough will be helpful to the development Corporation there in planning the expansion of Peterborough from 82,000 to 188,000 people over 20 years.

Chapter 7

THE ORGANISATION OF LOCAL ECONOMIC PLANNING

In this section II of the report, we discuss some of the most important issues that would be raised if it were decided to extend the practice of local economic planning. The first issue, in chapter 6, was: what extensions of local economic planning could be supported by the current state of theories in such planning? The second issue, to be discussed now, is: if local economic planning were to be practised more widely, through what governmental organisations would it best be practised? It is the purpose of this chapter to study that question.^x

Two important organisational considerations have already been raised, both in chapter 5. There we concluded that, if local authorities tried to practice local economic planning more widely, there would be great political tensions between central and local government, those tensions would shape the organisations through which local economic planning was practised, and the resulting organisational structures would in turn limit the practice of such planning by local authorities. In chapter 5 also we concluded that the constraining effects of the inherent limitations of local economic planning could be avoided by practising such planning within organisations that allowed "integrated planning". (The principle of integrated planning was described as follows: given a particular end to be achieved, the policy-makers should be free to choose those means or that combination of means - one of the means could be local economic measures - which best achieved the given end.) Our discussions in this chapter must take full account of those two conclusions.

^xIt is a question about the design of planning agencies, to answer which we need theories of planning. The theory of planning which provides the foundation for our ensuing discussion is described in chapter 1.

Our central question is: through what governmental organisations would local economic planning best be practised, if its use were to be extended? That question can usefully be taken in two stages. First: at what level of government would the economic measures be best designed, chosen, and implemented? Second: how would local economic planning at that chosen level best be organised? We try to answer those two questions in sequence.

What level of government?

Local economic planning, by our definition in chapter 2, consists of designing, choosing, and implementing economic measures designed for and applied at the local scale. The three stages of designing, choosing, and implementing are at the centre of the process of planning, and could be carried out at different levels of government. What level of government? can be investigated by dividing the planning process into its three central stages then asking the corresponding questions:

- by whom should the local economic measures be designed?
- by whom should the local economic measures be chosen?
- by whom should the local economic measures be implemented?

The process of choosing the measures might, however, be complicated: the person or organisation which decides to accept the design might have to get that decision approved. Then we have four questions about the planning process:

- by whom should the local economic measures be designed?
- who should make the decision to accept those measures as designed?
- who, if anyone, should approve that decision?
- by whom should the local economic measures, as designed, accepted and - possibly - approved, be implemented?

i) The possible organisations

Those questions cannot be answered in a political and governmental vacuum: the answers must depend on the existing spatial distribution of other governmental powers and functions, or on what that spatial distribution of other functions should be. The latter choice is not ours here: we are not arguing for a reform of local government but discussing the possibilities of adding a new type of planning to the range of existing government

activities. So we shall start with the existing spatial distribution of government functions.

In England and Wales today there is, basically, a two-tier structure of government - central and local. Central government is the sovereign body, and it has conferred certain powers and functions on local governments. The resulting division of power is that local government depends on central government for its powers to act and is subject to central supervision and, ultimately, control (see chapter 8).

Local government itself is in two-tiers, counties and districts.[✕] At the regional level are various organisations (e.g. regional branches of central departments partly co-ordinated by Regional Economic Planning Boards; regional divisions of statutory undertakers, the NHS, etc.; and Regional Economic Planning Councils with only advisory powers), but there is no independent regional level of government.

Such is the existing spatial distribution of government functions in general. There are some existing powers for local economic planning: what is the existing spatial distribution of those government functions in particular? The details are given in appendix A to chapter 3, which describes a set of powers distributed according to no apparent principles. The most coherent set of powers is over the location of industry between regions, and that is wielded and jealously guarded by central government (see chapter 5). However, the existing powers for local economic planning are so patchy and ad hoc that their spatial distribution need not influence

[✕] For a description of local government functions and how they are divided between counties and districts see - e.g. - Cross (1974), appendix II.

our general discussion here.

Within the existing spatial distribution of general government functions, as described above, where should the three or four central processes of local economic planning be carried out?

There are four main possibilities:

- i) design, decision, and implementation by central government, possibly acting through its regional branches: no extra approval necessary (e.g. the present location of industry policy)
- ii) design and decision by central government, implementation by local government (county or district): no extra approval necessary (e.g. the present agency arrangement whereby counties do the maintenance, care, and improvement of trunk roads)
- iii) design, decision, and implementation by local government (county or district), with some central government supervision and ultimate control (e.g. counties currently making structure plans which have to be approved centrally)
- iv) design, decision, and implementation by local government (county or district), with central government having reserve powers only (e.g. the control which districts now have over primary and secondary education and over council house rents)

Those possibilities[⌘] can be expressed:

	(i)	(ii)	(iii)	(iv)
design and decision	central	central	local	local
implementation	central	local	local	local
approval	not necessary	not necessary	central	central has reserve powers

[⌘] There are, of course, many other possible combinations such as: central design, local decision and implementation, no approval, or: local design, central decision, local implementation, no approval, or: central design, local decision and implementation, central approval. However, it is not necessary to consider such combinations as they are either obviously worse than the four considered or contrary to the traditions of British government.

Those are the main possibilities with the existing structure of government in England and Wales. It is possible, and not improbable, that the structure will change in a few years as a result of two pressures. One pressure is for regional government in England. Some devolution of power from Westminster to Scotland and Wales is now almost certain, and the Kilbrandon Commission on the Constitution is expected to recommend some devolution to the English regions. The other pressure is to re-organise local government again (so soon after the 1974 re-organisation), mainly because of dissatisfaction with the weak powers and unclear role of the counties. If both those pressures were effective, the most likely change would be abolishing the 1974 counties and replacing them with regions. The 1974 counties are larger than the previous counties, but, in the conurbations especially, have weaker powers. The districts dislike being checked by the counties, and the counties are too small to take powers devolved from central government.

If it is decided to have regional government in England and Wales, with legislative and executive powers, the most likely new structure would be in three tiers, as:

- central government, with fewer powers
- regional government, with new powers from both central and the old counties
- local government, at the district level only.

If that were the spatial distribution of government functions, then there are additional possibilities for organising local economic planning.^x

^x We do not consider here bigger, but less probable, changes in the spatial distribution of public powers in England and Wales. If there were to be radical changes to the existing structure, many more ways of organising local economic planning would be possible. For example, if Britain were to adopt the French prefectural system, the prefect could be responsible for economic development, as he is in France - Ridley, 1973.

The main possibilities[⌘] can be expressed:

	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)
design and decision	central	reg'l	reg'l	reg'l	reg'l	local	local
implementation	reg'l	reg'l	reg'l	local	local	local	local
approval	not necessary	central	central has res- erve powers	central	central has reserve powers	reg'l	reg'l has reserve powers

ii) The criteria for choosing the organisation

The choice of the best of those possible organisations for exercising government functions cannot be made neutrally, without taking sides: on such an issue, value-free judgements are logically impossible. So it is best to make a virtue out of necessity, and declare the political stance from which I discuss and state my preferences for the choice of organisation. The political stance can be called, in shorthand, the liberal attitude. It values local democracy, equality, and administrative efficiency; and when those prove to be mutually incompatible (as happens so often), it is prepared to lose first some administrative efficiency and second, with increasing reluctance, some equality. Put negatively, the liberal attitude distrusts concentrations of power.

Political choices can still be made rationally, although they contain value judgements. The rational method to be used here is the same as is commonly used for choosing between alternative planning solutions: we first list the criteria, then we evaluate the possibilities against the criteria.

[⌘] Again there are other possible combinations, which are not worth our consideration.

The value judgements (in this case, my liberal attitudes) are contained in both stages - the choice of criteria, and the evaluation (which requires the criteria to be weighted relative to each other).

The eight criteria that we shall use not only reflect my attitudes, but also are taken from similar discussions about how to allocate responsibilities between the various levels of government: in that way, the final choice of organisation should not be idiosyncratic. The eight criteria are now described.

- A. The deciders and implementers should have good access to the information necessary for their decisions.

As we are talking about measures applied locally, this criterion would seem to suggest local organisation. As the Royal Commission on Local Government (vol I, para 29) says: "... wherever local choice, local opinion, and intimate knowledge of the effects of government action or inaction are important, a service is best provided by local government, however much it may have to be influenced by national decisions ...". But that connection between the source of information and the level of organisation has been much weakened by improvements in communications. The same Commission report says (para 32): "... it is now technically possible to direct far more of government activity from the centre than it was 60 or 70 years ago The centre has become more aware of local problems and more susceptible to local pressures, and so less willing to leave local problems to local solution." And Stohr says (1969), "On technical grounds ... regions do not seem to be essential. They can be substituted by an efficient information system."

In conclusion, the need for information favours local decisions, but

the good communications within a small country like England put the centre at only a small disadvantage in local decisions.

- B. Decisions should not be made without account being taken of the effects of the decisions on all the areas where those effects are felt.

For example, suppose the decision is whether or not to keep alive Norton Villiers Triumph in Wolverhampton by public loans and subsidies. Even if all the money that might be used came from Wolverhampton District, that area alone should not make the decision, for the factory probably employs many people living in other areas. The decision should take account of the employment effects on those other areas.

In chapter 6 we discussed at length locational issues - such as an economic cause in location A having effects in location B - and concluded that such geographical "external effects" were often very difficult to predict but could be large. This criterion is, therefore, important.

A particularly important example of external effects is the attracting of footloose industry. If Wales attracts a firm from Birmingham, Wales' gain is Birmingham's loss. It is central government policy to direct footloose industry into some places and away from others.

Because of the geographical effects, central government argues that it alone should exercise that policy and that local government should not have similar powers (see the discussion on Britain's industrial location policy in chapter 5).

Klaassen and Paelinck (1974) talk about the rank or spatial range of a decision, the territory over which the decision exerts a significant

influence (p.47), and they argue (p.55) that the higher the rank of a decision, the higher the level at which the decision should be taken. That is a useful idea, but needs expanding. Let us take an analogy from physical planning again. District councils are allowed to make the decisions in a local plan, because the rank or range of such decisions is small, usually within the district. In contrast, the decisions in a structure plan may have a much wider range, wider even than the county. It is not the case, however, that structure plans are for that reason designed and chosen by regional or central government. Rather, county councils make structure plans and central government reserves the right (for that reason, and others) to veto or suggest changes to parts of them: in that way is account taken of the geographical effects.

The conclusion is that decisions about local areas which affect other areas need to be checked in some way by that organisation which is responsible for all the affected areas. If the affected areas are within a region, the check could be made regionally. If the affected areas are spread more widely, the check must be made centrally.

- C. Decisions which involve public expenditure should not jeopardise central government's macro-economic policy.

When the Royal Commission on local government wrote about this in 1969 (vol I, paras 33-35), it discussed only central government control over the level of local authorities' capital spending, for then management of total economic demand was the central concern. The Layfield Committee ("Local government finance") writing in 1976 (paras 23-26) has had to discuss also central government control of

total local government expenditure, now that the central concern has extended to inflation and the distribution of national resources between service and manufacturing industries.

The importance of this issue will vary with the state of the national economy, but at all times central government will want to be able to control the total amount and broad composition of public expenditure, including that third of it ("Local government finance", 1976, para 26) spent by local government.

For that reason, central government will want to be able to check local public sector decisions which have significant effects on the national economy.

- D. Decisions should be broadly consistent with other national policies of central government.

This criterion can be interpreted widely, and at the extreme can be satisfied only by central control of all but the most trivial local matters. "Local government finance" (1976 paras 27,28) discusses the application of this criterion to national policies for the distribution of expenditure between public services, including those services provided by local authorities (e.g. the current national policy to restrict public expenditure on education but not on housing). The criterion has other applications also: see the 1947 Education Act and the Bill before Parliament that all public secondary education should be in comprehensive schools. Those examples show how a central government can use general Acts and the ultra vires principle (see chapter 8) to enforce its own interpretation of this criterion. If central

government interpreted it tightly, it could with those means kill independent local government.

The effect of this criterion is that central government must be able to check all local decisions, except those taken within limits defined by central government.

- E. Decisions should not increase significantly inequalities between people and between areas.

Insofar as reduction in inequality is a policy of central government, this criterion is a particular case of criterion D. "Local government finance" (1976, paras 29-32) recognises two aspects of it, both currently national policy, viz: fairness between individuals and fairness between areas.[⌘]

The consequences of the current national policy of equality are described by the Royal Commission on Local Government (1969, vol 3, para 33). "... a demand for greater equality of opportunity has emerged and been accepted. This entails action at the national level, both in insistence on minimum standards in certain local services and in increased financial assistance to poorer areas." And the criterion accounts indirectly for some of the dissent among the members of the Committee of Enquiry into Local Government Finance. For both Day and

[⌘] The aim of fairness between areas needs qualifying. If the residents of one area want different services from the residents of another area, insisting on the same services being provided to both areas is not wise. Inequalities would be reduced, but the economic resources could have produced more satisfaction in other uses (see Mills, 1972, chapter 12).

Cameron of that committee consider that the function of central government in requiring certain minimum local services is so important that it should affect the form of local government finance.

However desirable equality is, however, its wholehearted pursuit by central government could take away all autonomy from local government. "Local government finance" (1976, para 32) says, "We have noted in our visits to other countries that a large measure of local autonomy is usually associated with greater variations in the provision of services than in this country and a smaller and less precise redistribution between areas."

The search for equality between the members of a nation could cripple local government. That is why we have expressed the criterion as "not increasing inequality" rather than as "decreasing inequality" or as "moving towards equality". So that local decisions do not increase inequality, they need to be centrally checked.

- F. All services affecting each other and having similar objectives should be administered by the same authority, for efficiency and effectiveness.

This is the criterion which the Royal Commission on Local Government (1969, vol I, chapter VI) calls "grouping of services". The principle has already been explained in chapter 5 on "integrated planning". It is that, when different services have similar aims, those aims are likely to be achieved more effectively and more efficiently if the services are administered in an integrated manner.

On that principle, the Royal Commission (paras 244-247) argues that the two local environmental services of land-use planning and trans-

portation should be administered jointly. And, most relevant for us, it argues that planning for economic development should be administered along with them. The paragraph 51 is worth quoting fully.

"It seems often to be assumed that economic planning is a matter for central government, while land planning is, initially at any rate, for local government. But the two are indivisible. Some facets of economic planning are, of course, outside the sphere of local government but the planning authorities must concern themselves with economic prospects in their areas. Indeed, these are central to all a local authority's decisions on priorities. In an area where the prospects are poor, one of the main concerns of local government ought to be what it can do to improve them, to increase the attractiveness of the area to employers, to help labour to move from declining to new employment, to provide new opportunities for employment. Local government has not, so far, been encouraged to do much in this way (except through the medium of town development schemes whose purpose, however, is housing), partly because it is not geared to do it but partly also because its responsibility for economic planning is not recognised. It must have this responsibility, within the limits of its general purposes and scope and in collaboration with central government. Otherwise it cannot do its job adequately - the job we have defined as an all-round responsibility for the safety, health and well-being of people in different localities."

We should note that the Royal Commission's use of the term "economic planning" is rather different from ours: it means planning for economic development (see appendix A to chapter 2). However, as many of the measures for economic development require economic powers, the

Royal Commission is arguing that economic powers (and other powers) for economic development should be wielded by local government.*

We can apply the criterion of "grouping of services" further. For we have been using "local economic planning" to mean the use of economic powers to tackle local problems. Poor economic development is only one of those. We have given examples above (see, e.g. chapter 3) of economic measures being used to tackle local environmental and social problems, problems which might already be the object of physical planning or the social services. So local economic planning is a possible alternative or complement to other measures already being applied locally.

Here, the existing spatial distribution of government functions becomes important. Because physical planning and the social services are administered locally, this criterion suggests that local economic planning also should be applied locally.

- G. Local people should be able to make the local decisions which affect them.

This is one of the main principles behind the democratic call for strong and healthy local government. For example, the Royal Commission on Local Government (1969, vol.I, para 28) tried to "... sustain a viable system of local democracy: that is, a system under which government by the people is a reality The importance of local govern-

* If that application of economic powers is to be integrated with land-use planning and transport, it should be administered by the present counties - see later in this chapter.

ment lies in the fact that it is the means by which people can provide services for themselves ... and can decide for themselves ... what kind of services they want and what kind of environment they prefer." Also, the report on Local Government Finance (1976) raised that as the main principle by which local government finance should be ordered.

The purpose of local economic planning is to improve the lives of the people living in an area by changing the local economic circumstances. On this criterion, the appropriate local decisions should be made by the local people.

H. Political power should not be concentrated in too few hands.

This criterion results from a desire to avoid the consequences of the abuse and misuse of power, on the theory succinctly expressed by Lord Acton "Power tends to corrupt, and absolute power corrupts absolutely". It is the negative argument for a wide distribution of power. (The positive argument is in criterion G, that people should have control over their own lives.)

One of the main advantages of a strong local government is that "it spreads political power" (Local Government Finance", 1976, para 14). "Local government is the best possible instrument to distribute power widely on democratic lines" said Robson in 1966. On this criterion, local economic planning should be administered locally, not centrally.

iii) The choice of organisation

Those criteria and the consequences of applying them to the organisation of local economic planning can be summarised as:

A. Local decisions need local information	local organisation, but central organisation is possible

B. Take account of geographical external effects	central or regional organisation, or a central or regional check on local decisions

C. Consistency with national macro-economic policy	central organisation, or a central check on local decisions

D. Consistency with other national policies	central organisation , or a central check on local decisions

E. Take account of fairness between individuals and between areas	central organisation, or a central check on local decisions

F. Grouping of services	local organisation

G. Local democracy	local organisation

H. Spreading political power	local organisation

Criteria B, C, D, and E could be satisfied by central organisation, and also by local organisation with central or regional checks.* Criteria F, G, and H could be satisfied only by local organisation, not at all by central organisation. Criterion A could be satisfied better by local

* In saying this, I am again taking my political stance. For example, another person who put the pursuit of equality (criterion E) paramount, and who thought that local organisation with central checks would ^{not} be as effective in that pursuit as central organisation, would not accept the former as an alternative to the latter.

than by central organisation. In conclusion, only local organisation would satisfy all the criteria.

So we conclude that, if the practice of local economic planning were to be extended, it should be a local government responsibility. In more detail, the criteria show that it is the location of the power that is important - the power to accept a design and to check that decision - not the location of the design or the implementation. In particular, the criteria would not be satisfied by local implementation of central decisions. So we conclude that local economic measures should be designed, decided, and implemented locally.

iv) Organisation in local counties or local districts

How local should be the organisation - in districts, in counties, or in regions if regional governments were created? There need not be only one answer: new powers for local economic planning could be shared systematically between those local tiers. Another example from physical planning will illustrate how: structure plans are a county responsibility (and might be taken over by new regions), local plans are a district responsibility. It is criterion B - account should be taken of geographical external effects - that governs that division of physical planning powers, and the same principle suggests that local powers for economic planning should be similarly divided.

Then, counties (or regions) should have the economic powers likely to cause important spillover effects: examples are powers for industrial development, powers for intervening in labour markets, powers for the non-financial use of local income tax. When spillover effects are likely to be small, the districts should have the powers: districts, for example, could use the rating system deliberately to reallocate activities within

their areas, without affecting noticeably other areas.

So the level of local government which should most appropriately administer local economic planning would depend on the economic measures being taken. Therefore when, in chapter 12, we illustrate earlier conclusions, by describing certain new powers that could be created for local economic planning, we shall recommend the level of local organisation for each new power respectively.

iv) The political acceptability of local economic planning organised locally

Our conclusion above was that only local organisation satisfies all the criteria. However, it satisfies criteria B, C, D, and E only if the local decisions are subject to central government checks.

The importance of including effective central checks on the local exercise of economic powers should not be under-estimated. The subject is important to us, not only because my choice of criteria requires it, but also because it seems to be very important to central government. That was one of our conclusions in chapter 5 - that, if local authorities tried to practise local economic planning more widely, it would create great tensions between central and local government. In chapter 5 we reached that conclusion after a theoretical investigation of the limitations of local economic planning, tested empirically with the experience of industrial location policy in Britain. Now we present more evidence to support the conclusion.

"Unfortunately, the main opponent of a strong and flourishing local authority role in the field of economic development is central government", says Rogers (1976). He describes how Tyne and Wear County promoted a local Bill to obtain extra powers to attract and retain industry. There were only 4 private petitioners who objected to the Bill, but central

government has weakened the powers considerably as the Bill is passing through Parliament (see appendix D to chapter 4). Minns and Thornley (1976), proposing a different extension of powers for economic planning to local authorities (see chapter 12 also), say, "What is emerging from this is a significant conflict between central and local government."

More generally, Robson in 1966 said that local government was "in crisis", because it has been persistently weakened and by-passed by successive governments and Parliaments. And ten years earlier a special study of the West Midlands (West Midlands Study Group, 1956) concluded that all was not well with local government there because of "a steady drift towards centralisation".[⌘]

We have seen that certain criteria (B, C, D, and E above) require that central government be able to check some of the activities of local government. The reasons are plain: Britain is a small island, so actions by one local government might harm another local government or weaken a national policy. That is unexceptionable, and acceptable on technical grounds to people of most political stances. What is also plain, however, is the tightness with which central government at the present time wants to control local authorities, how strictly central government interprets our criteria B, C, D, and E. It is as if central government wanted greater and greater control. That might be seen as a deliberate move towards a Corporate State: alternatively, it might be seen as central government, both members and civil servants, being jealous of

[⌘] Those findings should not surprise us. In a comparative study, Clark, 1974, lists the national conditions associated with little community autonomy. Most of those conditions are present in Britain today. That the findings are normal does not mean, however, that they are desirable. From my political stance - described above - I see them as undesirable.

its powers and envious of any other powers which weaken its control.

Our earlier conclusion has thus been further supported, the conclusion that if local authorities tried to practise local economic planning more widely, that would create great tensions between central and local government. Yet we have argued also that any extension of local economic planning should be the responsibility of local government. Moreover, the inconsistency between those two arguments must be resolved: the reason is that central government can, ultimately, control local government (see chapter 9); so the extension of local economic planning by local government requires the approval of central government. It follows that our argument, that any extension of local economic planning should be a local responsibility, must be modified in order to make it politically acceptable to central government.

The modification we propose is an organisational one: central government must be able to impose checks on local authorities' economic planning, checks which must be tight enough to make such a location of responsibility acceptable to central government.

v) Central checks on local decisions

We now have two related reasons for arguing that local decisions on economic planning should be subject to central checks - criteria B, C, D, and E require it; and the need for political acceptance from central government requires it. What form should those checks take? Political acceptability requires fairly tight checks, but criteria F, G, and H require that the checks be not so tight as to make local decisions impossible. What form of organisation would achieve such central checks on local decisions?

Rogers (1976) recommends the following for giving greater powers over economic development to local authorities - that increased general powers be given to local authorities (he is talking of counties, not districts), coupled with local powers approved by Parliament on the basis of their potential contribution to the problems of those areas with greatest need.

That is an unsatisfactory way of handling central/local relationships, for two reasons. One is that the procedures for obtaining new powers through local Acts are so lengthy, and so irreversible, that the response to local problems would be too slow: the problems might have changed by the time the powers had been obtained. The other reason is that the local Act procedures allow the civil service to dominate local authorities (see Rogers, 1976, and correspondence with South Glamorgan County) and give MP's too little opportunity to debate openly the central/local principles involved.

For those reasons, it would be unwise to rely even partly on local Acts as a way of giving extra economic powers to local authorities, subject to central government checks. It would be preferable to rely totally on new general Acts which gave permissive powers to local authorities to undertake specified economic planning.[¶] In that case, how should the central government checks be administered?

It would meet our requirements stated above if local authorities (county or district as appropriate) were empowered to design, decide, and

[¶] Chapter 9 gives additional reasons, not concerned with central/local relationships, why it is preferable to use general rather than local Acts for allowing the practice of local economic planning to be extended.

implement local economic measures, and if central government retained the right to veto those decisions.

The procedures for the necessary central checking should meet certain conditions. The procedures should be seen to be fair by local authorities and (a related point) they should not stifle local initiatives: both of those conditions are necessary if criteria F, G, and H (and therefore my political preferences) are to be satisfied. Also, the procedures should minimise the possibility of wrangling or stalemate on political grounds between local governments of one Party and a central government of another Party. Those conditions could be met by the following procedures:

- the circumstances in which local decisions have to be submitted for central checking should be clear and unambiguous
- the standards against which central government tests the local decisions should be specified and specific
- the method of testing should be open (so that a local authority has a good chance of predicting the outcome)
- the central decision should be justified and reported openly
- the whole central checking procedure should be quickly completed.

To understand how such checking could work, let us consider some examples from other local authority services.

- Applications to borrow money for building council housing are subject to a prior technical test: does the housing scheme meet Parker Morris standards and the housing cost yardsticks? Those standards are specific and specified, so the process of checking is regarded as fair, if time-consuming. (There is a related but different debate, about whether the standards are correct.)

- Structure plans have to be tested by central government before they are approved. In this case, the testing is open and the result is reported fully: what is less satisfactory (besides the time that the testing takes) is that the standards against which the structure plans are tested are not clearly and precisely stated in advance.
- Transport policies and programmes also have to be approved by central government, but the standards are not clearly specified nor is the testing open. In such cases, local governments can always suspect central government of giving its approvals arbitrarily: that does not encourage local democracy and initiative.

The details of a central testing procedure should, clearly, depend on the local economic measures. For example, if the power was to lend money to local firms, it could be that all loans over £100,000 had to receive government approval, which would be given on financial advice about the commercial viability of the firms. We shall return to such details in chapter 12 where we describe some possible new powers for local economic planning, in order to illustrate earlier discussions.

vi) Conclusion

The study of this aspect of the organisation of local economic planning can be concluded by saying that any extension of such planning should be the responsibility of local (or regional) government, and decisions on local economic measures should be subject in certain circumstances to central government approval exercised in certain ways.

In terms of our earlier list of possible methods of organisation we recommend:

		(iii)
design and decision	||	local
implementation	||	local
approval	||	central

or, if local government were re-organised

		(vi)		or (viii)
design and decision	||	regional	|	regional
implementation	||	regional	|	local
approval	||	central	|	central

Limitations on the practice of local economic planning would be imposed, we said in chapter 5, by the form of the organisation through which such planning was administered. Our argument was that the wider practice of local economic planning by local authorities would cause political tensions with central government, to accommodate which special organisations would be necessary. In this chapter we have seen what those special organisations could be: - the requirement that local decisions on economic measures be subject in certain circumstances to central government approval exercised in certain ways. What limitations might that impose on local economic planning?

Mainly, the use made of local economic powers would be restricted in ways suggested to us by criteria B, C, D, and E:

- economic measures which have significant and undesirable geographical external effects would not be approved
- economic measures which are inconsistent with national macro-economic policy would not be approved

- economic measures which are inconsistent with other national policies would not be approved.
- economic measures which increase significantly inequalities between persons and areas would not be approved.

The effects of those restrictions on possible extensions of local economic powers are illustrated in chapter 12.

What form of local organisation?

In this chapter we have set out to answer two questions about the organisation of local economic planning. The first: what level of government? has been answered as: local government! The second question follows now: how would local economic planning best be organised within local government?

i) General organisational principles

The main issue is the general one of how the work of a government should be distributed within it. Self (1972, chapter 2) describes four competing principles of organisation which have been suggested and used.

The areal principle says that the services should be organised according to the geographical areas served. While that principle is important - it influenced our conclusion above about levels of government - it obviously cannot be dominant, for the area served must be allowed to vary in response to other organisational principles.

The client principle is that work should be organised into departments, each of which should be more or less exclusively responsible for some section of the population. But not all services can be identified with clients (e.g. providing libraries), client groups overlap, and the competitions and conflicts between different clients must be resolved.

The process principle distributes work by concentrating specialised skills and techniques in the same place. This principle too is limited: "as the scale and complexity of organisation increase, difficulties of co-ordination tend to outweigh the gains of full specialisation" (Self, 1972, p.56).

That leaves the principle of major function or purpose - organisation by outputs or services. "It is more intelligible, and conducive to goal effectiveness, to base organisation upon output rather than process, ends rather than means", says Self (p.56). For organisation, this should be the dominant principle, although not the sole one.

We must now go further than Self takes us. He recognises that "purpose is not the same as function" (p.57), but does not explore the implications of that difference. They are crucial to us.

Functions are tasks, jobs to be done. Purposes are ends to be achieved. Functions are performed in order to achieve purposes, but there is not necessarily complete correspondence between a function and the purpose for which it is performed. Therefore organisation by function might be different from organisation by purpose.

Consider, for example, education. That is a major purpose - that people should learn - and each local authority has a department and a committee devoted to it. However, the function of teaching people can also be used to achieve another (usually subsidiary) purpose, viz: to provide a trained labour force. In contrast, consider town and country planning. That is a major function - controlling and ordering the use of land and buildings - and most local authorities have departments and committees for it too. That function can be used for a number of purposes - e.g. to reduce congestion, to stimulate economic development.

ii) Organisational principles applied to local economic planning.

The dominant principle for organising local economic planning within a local authority should, then, be either function or purpose. Which one?

We approach that question by returning to the nature of local economic planning (as described in chapters 1 and 2).

We use economic planning to mean planning which pursues a variety of ends with a certain set of means, with economic measures. Local economic planning is, therefore, a set of tools, a policy instrument. It is not defined by the ends it tries to achieve: it is not a purpose. Local economic planning could not, therefore, be organised into its own purpose department. It could, though, be organised into its own function department. In that case it would be similar to town and country planning: one a function department using economic means, the other a function department using physical means. Both would cover broad functional fields "loosely defined by reference to zones of inter-acting policies, processes, and clienteles" (Self, 1972, p.82).

Alternatively, local economic planning as a function could be dispersed between other departments.[✕] Its powers could be available to appropriate purpose departments: for example economic powers over industry could be available both to a department with the purpose of economic development and to a department with the purpose of environmental improvement in industrial areas. Or its powers could be tacked on to the most appropriate function departments - economic powers over land use and buildings going to the town planning department, economic powers to give industrial grants and loans going to the estates department.

[✕] Self (1972) chapter 2 discusses principles and theories for structuring a government into departments, when there is an opportunity for re-organising the whole structure. That opportunity is not ours, so we must be prepared to adapt to existing structures.

iii) Local economic planning within a local authority

Which would be the better organisation for local economic planning - in its own function department, or spread around other relevant departments?

The answer depends on the range of economic powers available to a local authority. A function department would be possible only if there were a set of economic powers systematically covering a broad field of activity. Again town and country planning provides an analogy: if shops alone were subject to development control, it would not be worth producing development plans, let alone having planning departments. We know that local economic powers available at present are piecemeal and ad hoc (see appendix A to chapter 3): only if there was a wide extension of those powers could new departments of Economic Planning be recommended for local authorities. [⌘]

If, by contrast, local economic powers covered the ground but patchily; if local economic powers were extended but were still few and far from comprehensive; then the responsibility for those powers should be spread around other local authority departments. Which ones depends on the existing departmental structures. Two examples from chapter 10, which reports the example of Birmingham trying to reduce its employment problems,

[⌘] Falk and Martinos (1975) do not agree. They recommend that Districts should set up Economic Departments now, with existing economic powers collected together from other departments. So a new Economic Department would have the section of the Valuers or Estates Department dealing with industrial property (including industrial mortgages) and Consumer Advice and Weights and Measures. Also, it would take over some functions from national agencies, including some of the training and employment services. The main responsibility of an Economic Department would be preparing and implementing Local Economic Development Programmes. I am not convinced that there are enough powers existing to do that, let alone support a coherent department.

will illustrate the point.

Suppose local authorities had extra economic powers over industry. Those powers could be used for the purpose of industrial development, and in a time of high unemployment like the present, local authorities would undoubtedly want to do so. The West Midlands County Council has a committee responsible for that purpose - the Employment Commerce and Industry Committee, served by the Economic Planning Unit from within the County Treasurer's Department. So, unexpectedly, extra economic powers over industry could quite reasonably be the responsibility of the Treasurer's Department of the West Midlands C.C. The Birmingham District Council has no one committee responsible for industry or employment: responsibility is distributed in an unco-ordinated way between the Land Committee, the Education Committee, and the Planning Committee. If the extra economic powers were over loans for industrial land and buildings they could go to Land; if over the provision of industrial land, to Land or Planning; if over employment and training, to Education.

iv) Organisational structures for integrated planning

Should we not be more specific in recommending a location for economic planning within a local authority? For example, several writers urge close links between economic and physical planning. The Royal Commission on Local Government (1969) recommends it: we have already quoted the recommendation fully. Minns and Thornley (1976) say that local economic planning must be positively linked to structure planning and could be used to implement structure plans. The RTPI (1975) suggests "comprehensive community plans" including physical, economic, and social measures and produced within the development plan system. Andrews (1963,a) says,

"... the increasingly elaborate and expensive physical plans which we prepare will lose heavily in their effectiveness and may fail completely without a complementing programme of ... planned action centred on limited guidance of, and calculated response to, the basic deterministic economy".

Falk and Martinos (1975) propose metropolitan economic plans, complementary to metropolitan structure plans. What departmental structure would achieve such close links between economic and physical planning?

We are back to the issue of integrated planning, which we defined in chapter 5 as: given a particular end to be achieved, the policy-makers should be able to choose those means or that combination of means which best achieve the given end. Eddison (1973, p.42) puts it nicely:

"Decisions are likely to be better if alternative ways of achieving an objective are considered and analysed". In chapter 5, we recommended that local economic planning should be applied in such an integrated way. What are the implications of that for departmental structure, when the "alternative ways" (one of which may be economic measures) are likely to be dispersed over different departments?

Surprisingly, the implications are very few. All that the "Management of Local Government" (1967) says on the subject of departmental structure is that effective and efficient management requires no more than 6 or so departments. Stewart (1971, pp.176-7) says, "(The) implications cannot be spelt out in a new formal structuring of departments; a new re-shuffling of the building blocks; a new grouping together of departments. ... No departmental structure takes account of all the inter-relationships that have to be explored in the process of local authority policy planning". (To Stewart, policy planning subsumes integrated planning.) And Eddison (1973, p.7) says, "Clearly the links between the objectives

of services are too significant to be isolated in one compartment, whether it be a profession, department, committee, or tier of government."

Integrated planning then, for local economic measures and any other types of measures, is not achieved by departmental organisation but by procedures for corporate planning, procedures which require certain management structures - a policy committee with new relationships to the service committees, new relationships between members and officers, a chief executive and corporate responsibility by the chief officers, a policy planning unit, and above all a flexible structure (Stewart, 1971, chap.15). Such procedures are not the concern of this study:[⌘] it is sufficient here to say that they could be used so that local economic planning could be integrated and co-ordinated with other types of local planning, in whatever departments the responsibility for economic powers was located.

v) Conclusion

In conclusion, how would economic planning best be organised within local government? The powers could be grouped together and exercised by a new department with the function of economic planning. Or the powers could be dispersed between existing departments, either function or purpose departments. Which organisation is chosen depends on the extra economic powers created for local authorities and on the existing departmental structures. The powers should not be grouped together and exercised by a new purpose department.

[⌘] If they were, we should have to report how the early promises of corporate planning have not all been realised. In spite of those recent experiences however, we can still accept the statement that the integrated use of local economic planning will be achieved more by inter-departmental co-operation and flexible working relationships and structures than by a careful but rigid allocation of responsibilities between departments.

In chapter 5 we argued that the constraining effects of some of the inherent limitations of local economic planning could be avoided by integrating the use of such planning with the uses of other types of planning. In this chapter we have argued that such integrated planning within a local authority will not be achieved just by the careful allocation to local departments of responsibility for local economic planning: to achieve integrated planning requires the careful organisation of the whole of a local authority's functions and responsibilities.

CHAPTER 8

POWERS FOR LOCAL ECONOMIC PLANNING

The issue for this chapter is planning powers. If local economic planning were to be practised more widely, and if such practice were to be the responsibility of local authorities, would they need extra powers? If so, how should they acquire those extra powers? It is the purpose of this chapter to answer those two questions.

First, however, it is necessary to clarify what we mean by powers. The powers for implementing plans may be divided into three - finance, staff, and legislation. Legislation gives the legal powers for action, for the local authority to direct its own actions or to direct the actions of others. Staff are needed to prepare and implement plans. Finance is needed to implement most, but not all, proposals. Finance, staff, and legislation - but the greatest of these is legislation! All three are necessary together for any public planning: planning cannot proceed if any one is absent. But if the legislation is available, a local authority might be able to scrape together some money and staff, or divert them from other uses, and so do some planning. If, by contrast, the legislation is absent no planning by the local authority is possible. The reason is that a local authority acting outside its powers would soon be checked by central government, using controls set up especially for that purpose. So legislation comes first; it enables staff and finance to be used.

For that reason, we concentrate in this chapter on the legal powers for local authority planning, and we include in that term not only the Acts of Parliament but also the other rules and regulations, by-laws and directives, which govern the actions of local authorities. Our first question becomes, therefore: if local authorities were to practise economic planning more widely, would they need extra legal powers?

The need for extra legal powers

i) The possibilities within existing legal powers

We know that local authorities already have several powers which, by our definitions, can be considered as powers for local economic planning: examples are given in appendix B to chapter 2 and in chapter 10, and a complete list is attempted in appendix A to chapter 3. Moreover, we know that not all local authorities are using fully the local economic powers that they already have: chapter 10 illustrates that. So more local authorities could practice more economic planning within their existing powers.

How wide an extension of local economic planning would be possible within existing powers? Very narrow! we shall argue, first from theory and second from practice.

The argument from theory is based upon the ways in which central government controls the activities of local government. The constitutional position is that local government acts with legal powers conferred on it by central government. To maintain that position, central government has institutions for checking and controlling local governments so that they remain within the limits set centrally. The three main controls are the ultra vires doctrine, the auditor, and loan sanction: they, and other controls, are described briefly in appendix A to this chapter.

How tightly would those controls restrict the extension of economic planning by local authorities within the existing legal powers? It might seem obvious that, at the very least, all local authorities could copy the example of the most enterprising few, by all using all the local economic powers available. That would be true if the only central control were by the ultra vires doctrine, for all local authorities

would then be working up to, but still within, the limits of their statutory powers. However, central government could use its other controls (such as loan sanction and calling in plans for approval) if the widespread use of existing powers (such as giving mortgages for local factory building) began to have national significance.*

Wider extensions of economic planning by local authorities would be possible if they remained within existing legislation, but used legislation passed for one purpose in order to fulfill a different purpose: if, for example, a local authority used its powers to set house rents, or public transport fares, or swimming bath charges, in order to meet economic or social goals rather than to cover costs. But again, such extensions of local economic planning would probably be checked. The ultra vires doctrine could not control them, but the auditor and loan sanction could.

Is it likely that central government would use its controls if local authorities try to practise economic planning more widely within the existing legal powers? Our discussion in chapters 5 and 7, about the reluctance of central government to see local government use economic measures more widely, suggests that the centre would be quick to use all the means at its disposal to check what it would see as a clandestine extension of such local activities.

So theoretical arguments suggest that only narrow extensions of economic planning by local authorities would be possible within existing legal powers. The practical argument which comes to the same conclusion has

* As a corollary, we can see that the legal restrictions on local government cannot be fully comprehended just by examining the relevant statutes.

already been given, in chapter 4. There we presented evidence to show that a few local authorities have found themselves too limited by working within existing forms of planning, have reasoned that local economic planning would remove some of those limitations, have reasoned further that any significant extension of local economic planning would require new legal powers, and so have obtained extra legal powers under local Acts of Parliament. The details of the local Acts are in appendix D to chapter 4.

ii) The need for more legal powers

We conclude that, if local authorities were to extend significantly their practice of economic planning, they would need more legal powers.

Are there any new powers which have recently been created, or which might soon be created, which could be used by local authorities for a significant extension of economic planning. In appendix B to this chapter we examine three new powers which could possibly be helpful - the Community Land Act 1975, planning agreements within the Industry Act 1975, and a local income tax as suggested by "Local Government Finance" (1976). We conclude that none is likely to be a significant power for local economic planning.

It follows that extra legal powers would have to be specially created.

How local authorities could acquire extra legal powers

i) The case for new legislation

Local authorities can acquire new powers only by being given them, from central government.[⌘] Local authorities can ask for them, by promoting local Acts or by-laws: central government can give them (often in response to local requests), by making regulations, directives, etc. or by passing new public Acts. So we can distinguish three ways of obtaining new powers - by local by-laws, by central government changing its directive etc., and by new legislation. Which of those three ways would best allow local authorities to practise economic planning more widely?

New local by-laws would not be helpful, for they may be used only for purposes incidental to an existing Act (Cross, 1974, chap.6): there is no existing Act to which local economic planning is incidental.

Would significant extensions of economic planning by local authorities be made possible by central government changing regulations, the rules of audit, etc.? The aim would be to ease the restrictions on local authorities by allowing legislation passed for one purpose to be used in other ways, in particular for local economic planning. Examples would be a local authority using its powers to provide and charge for public services, its powers as an employer, its powers as a building contractor, in order to achieve goals (e.g. social goals) different from the goals for which the legislation was passed. We saw earlier that such use of legislation could be checked by the auditor, by loan sanction, etc. Here we consider the possibility of such use of legis-

[⌘] That follows from the constitutional position of local authorities, described earlier.

lation being allowed, by central government deliberately changing the rules of audit, etc.

At first sight, the idea is attractive: of the three main central government controls described in appendix A to this chapter, two - the check by the auditor and the necessity for central approval for loan applications - would be removed. At second sight, however, the idea is limited. Increasing slightly the possible uses to which a few existing statutory powers could be put would allow some applications of local economic planning not permissible at the moment. But it would not allow any significant extension of economic planning by local authorities.

Of the three ways in which local authorities could acquire the extra legal powers necessary for such an extension - local by-laws, relaxing central controls, and new legislation - we conclude that the first two ways would be ineffective. It follows that new legislation would be necessary.

ii) The form of the new legislation

The new legislation necessary for local authorities to practise economic planning more widely could be passed in three ways - a new Act which removed the ultra vires restriction, new local Acts, and new public Acts specifically granting extra economic powers to local authorities. We shall examine those three ways in turn.

The first way of passing the new legislation would be in the form of a new public Act enabling local authorities to do anything which was for the benefit of their areas and inhabitants: that would remove almost completely the restriction of ultra vires. Such a change has been recommended before. The Royal Commission on Local Government in England

(1969, vol I, para 323) recommended that local authorities have a general power to spend money; the Commission was urged by local government associations in written evidence to recommend that local authorities should have all the powers of an individual save those expressly excluded by statute; Derek Senior recommended the end of ultra vires and its replacement with a general permissive power (Royal Commission, 1969, Vol II, para 161-169). But central government did not accept the recommendation then and is unlikely ever to do so: chapter 7 presented evidence of the centre's reluctance to increase local powers.

The second way of passing the legislation would be by local (private) Acts promoted by local authorities. Local Acts are a good way of conducting experiments in local authority enterprise,[≠] and some local Acts have proved so successful that national legislation has been passed to subsume them (e.g. the Public Health Act, 1961 which incorporated very many local building by-laws). However, local Acts are obviously partial in their applications, and it appears that central government does not wish to see a rash of them (Partington, 1975).

Evidence that central government does not favour local Acts is in the Local Government Act, 1972, (s.262) which rescinds all local Acts in metropolitan counties from 1979 and elsewhere from 1984, in order to tidy up the ad hoc and partial legal provisions which they have created.

Further evidence is provided by the County of South Glamorgan, which is promoting a Bill to give it powers similar to those acquired by Coventry

[≠] Some examples of such enterprise in acquiring local economic powers by local Acts are given in appendix D to chapter 4.

Corporation in 1972 (see appendix D to chapter 4). That Bill is meeting strong opposition, and the powers to assist industry have been made less strong than those in the Coventry Corporation Act 1972 (correspondence with the County Solicitor, South Glamorgan, January 1976, and copies of the Bill as deposited and as amended following the Committee Hearing.). It seems that central government has become less willing to grant special powers to local authorities by way of local Acts.[≠]

The third way of passing the legislation necessary for economic planning by local authorities would be by new public Acts, promoted by central government and applicable nationally. Such legislation would give permissive powers to local authorities to enable them to apply certain economic measures in certain conditions.

Minns and Thornley (1976) propose new public Acts to create the legislation necessary for such economic planning and give as their reason, "The alternative to our proposals is a haphazard growth of economic powers and the exploitation of legal and financial loopholes by local governments in order to intervene meaningfully in their areas". Our reason for making the same proposal is slightly stronger: it is that, of the three ways of passing the necessary legislation, passing new public Acts is the only one practicable.

[≠] Other arguments against using local Acts to allow economic planning by local authorities are included in chapter 7.

Conclusion

We have argued in this chapter that local authorities, if they are to practise economic planning more widely, need extra legal powers to enable them to do so. And we have argued that the extra legal powers should be in the form of new legislation, promoted by central government and passed as a public Act giving permissive powers to all local authorities to enable them to apply certain economic measures in certain conditions. Examples of the possible content of such Acts are given, as illustrations, in chapter 12.

That conclusion contains implications which would limit any wider practice of local economic planning. For the conclusion is that any such wider practice would require new public Acts of Parliament, promoted and passed by central government. And earlier (chapters 5 and 7) we have seen that central government is reluctant to give local authorities extra powers (such as economic powers) which would enable them to jeopardise national policies. It follows that radical new economic powers for local economic planning should not be expected.

On the other hand, that conclusion contains also implications which might strengthen any wider practice of local economic planning. For the conclusion is that such wider practice could be made possible only by deliberate actions by central government, and that would require that central government be convinced of the desirability of some extension of economic planning by local authorities. Once central government had been convinced of that, it should have some committment to making such planning work successfully.

Appendix A to chapter 8

Central government controls on local government

There are three main methods by which central government can check and control the activities of local authorities, and thus keep those activities within the limits which it wishes to impose. The first check is the doctrine of ultra vires, the second the power of the auditor, and the third the ability of central government to prevent local authorities borrowing money for particular schemes.

i) The doctrine of ultra vires

All of a local authority's actions can be checked against the doctrine of ultra vires, for a local authority is a corporate body and as such can pursue only those objectives, using only those powers, as are stated in the act or charter of incorporation (Cross, 1974, chap.1). That is interpreted as allowing a corporation to do "not only those things for which there is expressed or implied authority, but also whatever is reasonably incidental to the doing of those things" (Cross, op cit, p.4). Any other actions are ultra vires, "beyond the powers".

Any person who thinks that a local authority has acted ultra vires may, with the consent of the Attorney-General, start an action in the High Court. If the action is successful, the High Court will issue a declaration (that the local authority has acted ultra vires), or an injunction (to stop the local authority so acting), or both. If the auditor (see below) suspects a breach of the ultra vires rule, he may apply to the court for a declaration to that effect: the court, in making such a declaration, may order repayment by the person concerned, and may order disqualification from membership of the local authority.

Those are powerful sanctions, which are generally effective in keeping the actions of local authorities within the statutory limits.[≠] It is because of the force of the ultra vires rule that this chapter concentrates on the legal powers which allow, or disallow, local economic planning.^{≠≠}

There are some small relaxations of the ultra vires rule, which should be mentioned (Cross, 1974, chap.1). Local authorities can do a few things, not related directly to any of their functions, as long as those actions are of benefit to the area generally. So, local authorities can spend up to the product of a 2p rate on anything which is in the interests of the area (Local Government Act 1972 s.137); they can spend money to deal with or anticipate disasters or emergencies "involving destruction of or danger to life or property" (IGA 1972 s.138); they can buy land for the benefit, improvement, or development of their areas (IGA 1972 s.120); and they can erect buildings or carry out works on land for the benefit or improvement of their areas - but only with central government consent (Local Authorities (Land) Act 1963 s.2).

[≠] Dearlove (1973, p.15) disagrees, and quotes a local government officer as saying, "You can always find some law to enable you to do something ...". However, Dearlove was making the general point that central government does not determine what local governments must do: that point is not inconsistent with the doctrine of ultra vires, which says only that central government determines what local governments must not do. And Dearlove was writing before the Clay Cross councillors were bankrupted and disqualified for transgressing the 1972 Housing Finance Act. Minns (1974) writing after that case, reaffirms the power of the ultra vires principle.

^{≠≠} The force of the ultra vires doctrine was demonstrated during work on the case study reported in chapter 10. As part of that work, we compiled a list of the powers by which local authorities can influence employment locally: that list is included in chapter 10. We checked the list by sending it to several local authorities and asking for their comments. And the comments included, "What is the statutory authority for each of the powers that you list?".

ii) The auditor

The doctrine of ultra vires can be used to check all of a local authority's actions: the power of the auditor can be used to check only those local authority actions which require spending money. In practice, most positive actions by local authorities (i.e. initiating their own actions, rather than regulating the actions of others) cost money, and even to regulate the actions of others incurs administrative expense: so the auditor can scrutinise most of a local authority's deeds.

The duties of the auditor are to check the local authority's accounts against the following criteria (Circular 79/73 from the Department of the Environment):

- the legality of the accounts (i.e. is any item ultra vires?)
- have the different sections of the public whose interests are affected been fairly treated?
- has there been any fraud?
- has the public interest been satisfied? (e.g. has there been loss due to waste, extravagance, inefficient financial administration, poor value for money, mistakes?)

It will be seen that the check is wider than that exercised by the doctrine of ultra vires. Suppose, for example, that a local authority charged for the services of its direct labour department not in order to recoup costs but to (e.g.) stimulate redevelopment in one geographical area (see the suggestion in appendix B to chapter 3). Even if that action were not ultra vires, the auditor might consider it to be against the public interest.

The auditor, district or "approved", is answerable to central government and must report there any matters contrary to the public interest. If it

appears to the auditor that an item of account is contrary to law, (which has a wider interpretation than "ultra vires": Cross, 1974, p.111) he may apply to the court for a declaration: the court may then order the people responsible to repay the money and may disqualify them from membership of the authority. Minns (1974) describes the processes in more detail.

In those ways, central government can, through its auditors, restrict the actions of local authorities.

iii) Loan sanction

There is a third central check on local authorities - when they want to borrow money for capital expenditure. It does not check as widely as do the doctrine of ultra vires and the audit, for it operates only on those actions of a local authority which require borrowing. Moreover, central government has given general consent to local authorities to borrow for locally determined schemes (subject to a maximum borrowing) and to borrow small sums for key sector schemes. All other borrowing, however, must be approved by central government: applications are checked against criteria of (inter alia) technical standards and the doctrine of ultra vires.

As with the audit, the check by central government on particular loan applications by local governments can operate more widely than the check against the doctrine of ultra vires. For example, a local authority which wanted to borrow in order to start public works schemes, to provide work for local unemployed people. (see the suggestion in appendix B to chapter 3) could be prevented from so doing by central government, even though the schemes were not ultra vires.

iv) Other central checks on local government

There are some other central government checks on local authorities which apply less generally but which can still be important. Central government can withhold specific grants from local governments, and it can reduce the rate support grant if it thinks that the local government is not maintaining adequate standards. Also, local authorities are obliged to prepare certain schemes - e.g. structure plans, transport policies and programmes - which must be submitted to central government for approval.

Appendix B to chapter 8

Three new powers which might allow more local economic planning

In this appendix we consider the powers given to local authorities by the Community Land Act 1975, to the Secretary of State to make "planning agreements" under the Industry Act 1975, and the powers to levy a local income tax suggested by the recent report on Local Government Finance (1976). Our conclusion is that none is likely to be a significant power for local economic planning.

The Community Land Act

This Act, passed in 1975, is designed ultimately to give local authorities much more control over the use of land in their areas. That would be achieved by the local authority becoming, in time, the owner of most development land and the continuing landlord of most non-residential land that had been developed (but for "relevant development" only). "Today, planners have vastly increased their understanding of the forces of change in the physical environment so that the gap between policy making and the powers of implementation seems even wider. Within this context, how useful will the Community Land Act be as a tool for exerting increased public control at the local level ...?" (Thornley and Minns, 1976). That is our question too.

Land is a key economic resource, and there are three ways in which it is conceivable that a local authority could use its new powers over land as a tool of local economic planning:

- by setting the price at which it releases land, freehold or leasehold, at other than the market price (see appendix A to chapter 3)
- by using its power as ground landlord to place restrictions on the uses of the land so as to affect the activities (e.g. type and method of production) in its area

- by determining the supply of land, in total and between uses, at other than the market pattern of supply.

Will it be possible for a local authority to do those things? In answering that we must look beyond the first five years or so of the Act, when land and building activity will be low because of the economic recession and when development will be concentrated on land excluded by the Act's transitional arrangements; also, we must assume that the Act will remain in force beyond then, not repealed or substantially modified.

Will it be possible for a local authority to dispose of the land it has acquired under the CLA at purposefully high or low prices? The situation is not clear. The Act says nothing about disposal prices, but when a legal spokesman from the Department of the Environment was asked (annual conference of Education for Planning Association, January 1976) he suggested that the general obligation on a local authority to dispose of assets at market prices might remain and apply to disposals under the Act. In particular, disposals below the District Valuer's price might open the authority to a check by the Auditor.

Will it be possible for a local authority to use its powers as ground landlord to set conditions over the use of the land? If it did so, probably the residual income to be earned from the land would be reduced, so the price would be reduced. Then the choice would be: fewer conditions and higher price, or more conditions and lower price. It seems, however, that local authorities are not being allowed that choice at least in the first few years of the Act. For Circular 27/76 warns local councils not to set too many conditions on the sale of land acquired under the Act, in the interests of high prices and a quick turnover. (Presumably, the

Secretary of State would not approve a Land Acquisitions and Management Scheme which contained such conditions.)

Finally, will it be possible for a local authority to influence the supply of land, in total and between uses? Here the answer is: Yes, slightly! A local authority has for long been able to restrict the supply of land, in total and by use, by its zoning powers under Town and Country Planning Acts, but those powers have been feeble in increasing the supply of land: a local authority can zone extra land, but cannot ensure that it is put up for sale or brought into use. The Community Land Act will strengthen the power to increase the supply of land, for the local authority will be able to acquire and offer for sale extra land (as long as the money is available). But still the local authority will not be able to ensure that the extra land is brought into use. Nevertheless, when there is unused land available, local activities should not have to suffer from a shortage of development land.

The Industry Act

The suggestion was made by Chisholm (1975, and appendix C to chapter 2) that the Industry Act 1975, might be used for achieving specific local economic effects. The means would be the "planning agreements" entered voluntarily by the Secretary of State and "major and strategic firms in key sectors of the manufacturing industry" (White Paper, para 17). A planning agreement means "a voluntary arrangement as to the strategic plans of a body corporate for the future development in the UK over a specified period of an undertaking of the body corporate ... being an undertaking ... which in the opinion of that Minister (of the Crown) is likely over the specified period to contribute significantly to national

needs and objectives" (section 21.2). If a firm enters into such an agreement (which is not enforceable at law), then it receives a statutory promise that the regional development grants or selective financial assistance payable under the Industry Act 1972 will not be reduced during the lifetime of the agreement. (Under the Industry Act 1972, selective financial assistance can be given for very wide purposes to any commercial activity inside or outside the assisted areas. Part III of the Industry Act 1975 removes some of the limitations on the powers to give such assistance.)

The contents of such a planning agreement can cover: UK sales, exports, investments, employment and training, productivity, finance, prices, industrial relations, the interests of consumers and the community, the development of projects and processes (Trade and Industry, 8th August 1975). So it would be possible for a firm to agree to a certain training programme at one of its plants, or to expand production in a particular location, or to make environmental improvements to its premises.

There are, however, three reasons for doubting the value of planning agreements as tools of local economic planning. One is that they will be administered centrally in the interests of the national economy, such as the balance of payments, not in the interests of local economies. Another reason is that they are clumsy and slow to introduce: by 13th April 1975, 5 months after the Act, negotiations had started with only 4 companies (Trade and Industry, 23rd April, 1975). A third reason is that the financial incentive to firms to enter such agreements is small (unless the National Enterprise Board uses the willingness of firms as a factor in deciding to give them loans), so Government will not be

able to extract significant concessions out of firms.

Local income tax

In appendix B to chapter 3 we gave several examples of how a local income tax might be used as a tool of local economic planning. For example, it could be used to have specific local redistributive effects or, as a tax on company income, it could be used to stimulate all local industries generally or some local industries specifically. The recent report on Local Government Finance (1976) recommended the introduction of a local income tax (L.I.T.) under certain conditions. If that recommendation were accepted, would it provide the tool for local economic planning that we have imagined?

The answer is, No! The reason is that the report recommended L.I.T. as a source of revenue to local authorities, and what we require of a local revenue source is different from what we require of a tool for local planning.

For example, a local revenue source must be cheap to collect, predictable in its yield, have no major influence on income distribution, not vary greatly in its tax rates between local areas, and be subject to broad central control so that the Treasury can manage total economic demand (Local Government Finance, chapter 11). Because of those, and other, requirements the Report recommends a L.I.T. which:

- is levied on personal incomes according to where people live
- is collected alongside and at the same time as national income tax, by the Inland Revenue
- taxes the same incomes using the same allowances and bands of taxable income.

The only choices open to the local authority would be the rate of tax, subject to limits set by the Treasury (the Reports suggest that around 4p in the £ would be appropriate) and whether LIT should be a local addition to national rates expressed in pence in the £ or, more progressive, a local addition of a percentage of each person's national tax bill.

Such a form of LIT would be so inflexible that it would be of as little use for local economic planning as the rating system is now. (Mills - 1972, chapter 12 - quotes evidence of LIT used for revenue which supports the above argument. The evidence is from the State of Maryland, where the local authorities can choose the level of LIT. In practice, all local authorities chose similar tax rates, namely - the maximum allowable. It appeared that LIT was used mainly to avoid increases in property taxes.)

CHAPTER 9

PROBLEMS AND POSSIBILITIES IN LAMBETH

The purpose of this chapter is to illustrate empirically some of the theoretical statements made in previous chapters. The illustrations are taken from the Lambeth Inner Area Study, the origin and context of which were described in chapter 1. One of the aims of the three Inner Area Studies was to investigate the possibilities of using a combination of physical and non-physical measures in order to tackle urban problems more effectively. In Lambeth, that aim was interpreted by investigating the local problems in such a way as to discover whether they were likely to be amenable to physical measures, or economic measures, or both, and by recommending physical and economic measures appropriately.

That interpretation has produced results (both data and arguments) which we can use to illustrate three of the theoretical statements made earlier:

- that many urban problems can be analysed in economic terms. We illustrate that by first describing in personal terms the problems of the residents of the Lambeth Study area, then by trying to explain those problems in economic terms. We find that such explanation is both possible and convincing.
- that some of the urban problems, when thus analysed, can be seen to be not amenable to physical planning solutions. The illustration is by analysing the disadvantages of Lambeth as an industrial location, (which disadvantages contribute to many of the residents' problems), when it is found that only some of the disadvantages could be removed by physical measures.
- that analysing urban problems in economic terms is helpful, in that it suggests many possible solutions, both physical and economic. We illustrate that by listing the main measures that were recommended for reducing the problems as we had formulated them. By allowing ourselves

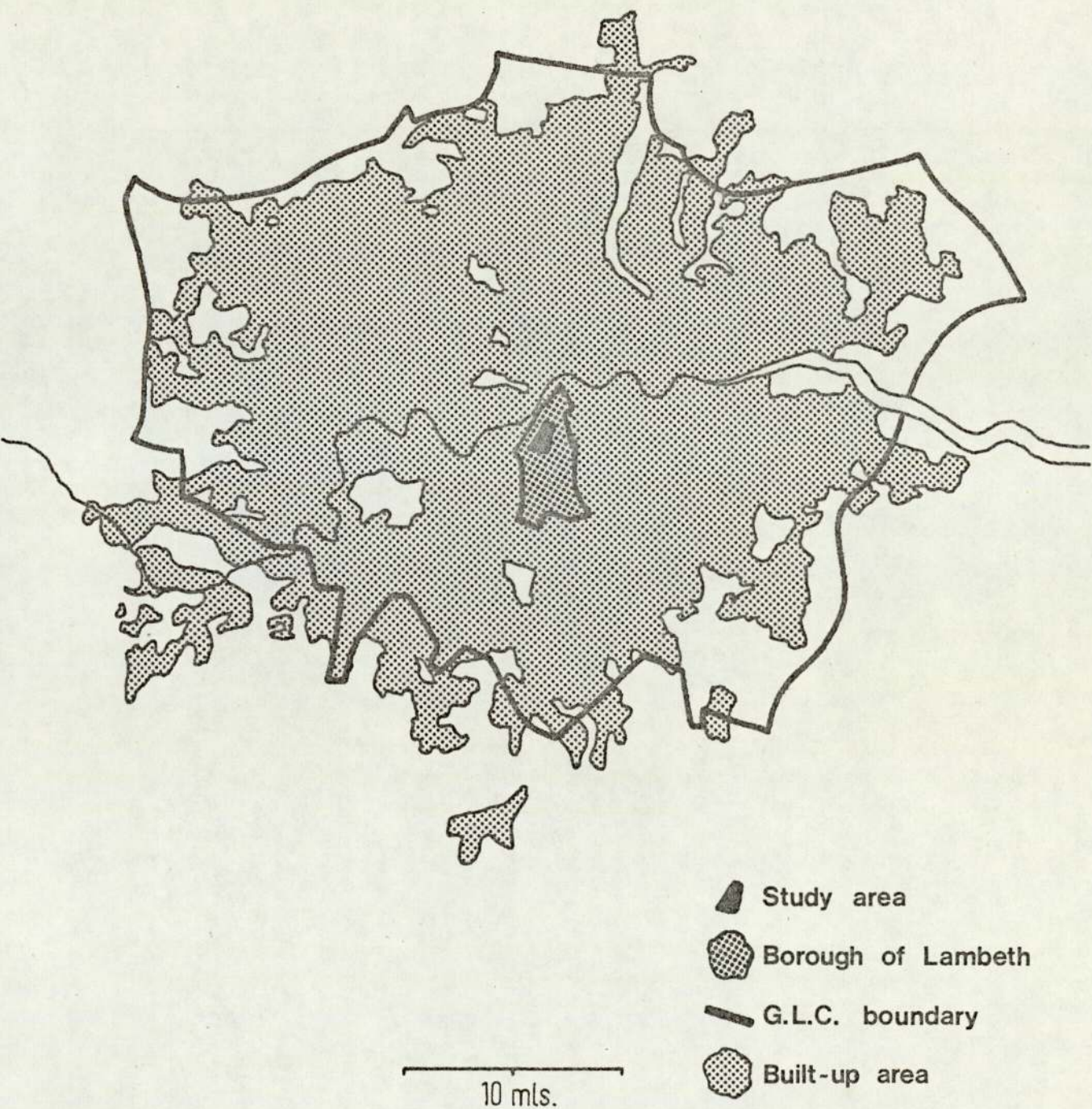
the possibility of recommending both economic and physical measures, we were enabled to analyse the problems more freely, which suggested to us both specific physical and specific economic measures. The range of measures proposed is very wide, much wider than in most town planning reports.

Introduction to the Lambeth Inner Area Study

The area chosen for the study is shown on map 9.1, and had a population in private households of 51,300 in 1971 (IAS/LA/8). The problems and possibilities were investigated in many ways with information collected from a very wide range of sources. Particular mention should be made here of two special surveys without which the economic studies could not have been made satisfactorily - the household survey and the local employers' study.

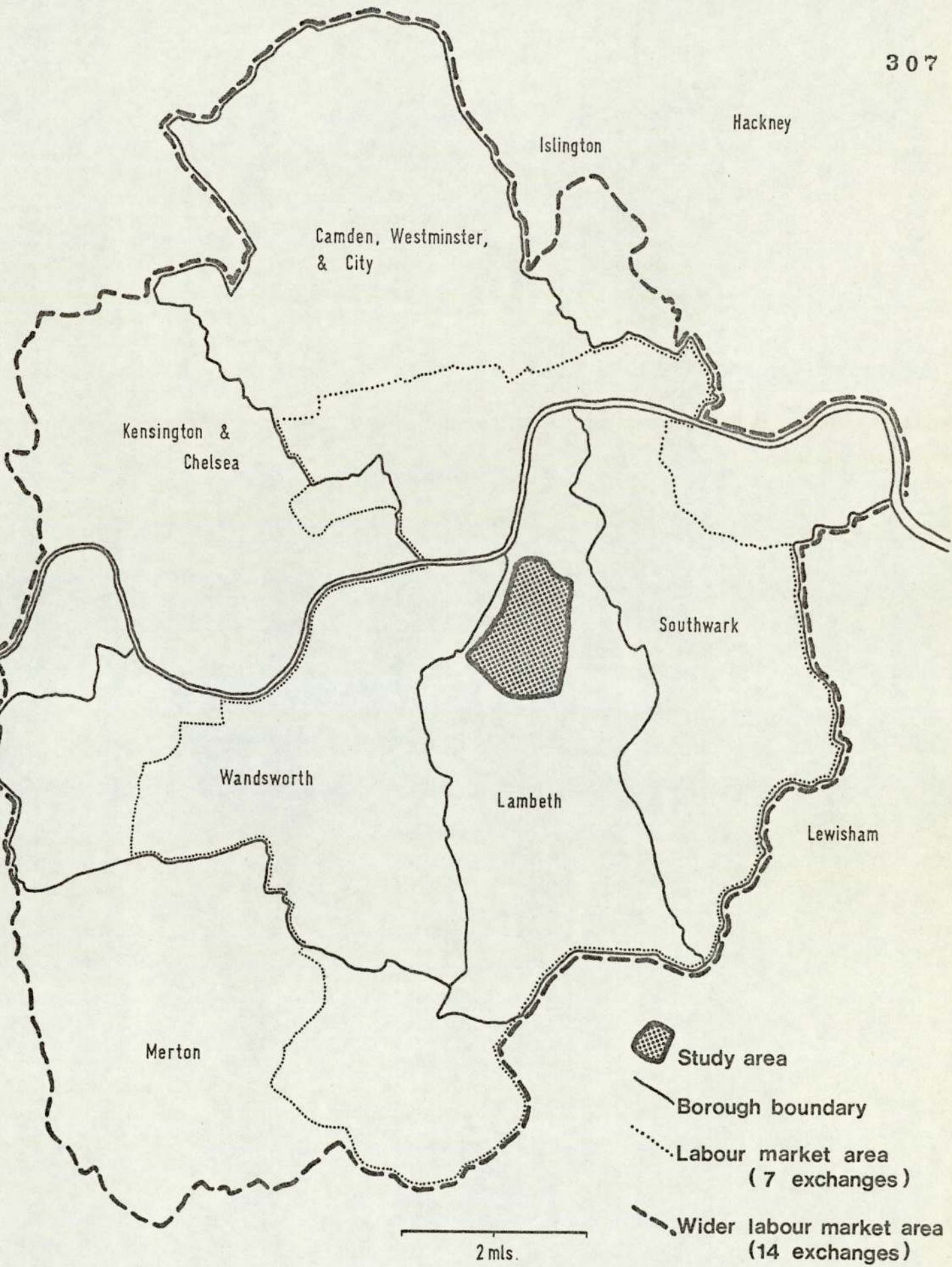
The Lambeth Household Survey (described in IAS/LA/5) was designed to be directly comparable with the General Household Survey for Great Britain. It covered a sample both of households and of individual adults, the sample obtained by drawing one address out of 12 (1 in 24 on council estates) in the study area. In that way, 998 addresses were selected, of which 102 proved to be demolished or empty. At the 886 addresses that were visited lived 1140 households, of whom 931 (82%) were interviewed. In the 931 households contacted, interviews were held with 1749 adults (96% response) and proxy interviews with 642 children (97% response).

The Local Employers' Study was designed to produce results that were indicative and suggestive rather than results that were statistically significant. So it covered only a small stratified sample of 55 firms. The firms were selected from the 4 EEA's of Battersea, Borough, Brixton, and Camberwell (see map 9.2), and were deliberately biased towards the larger manufacturing firms. Most of the public sector was deliberately excluded, and we finally interviewed 39 firms, 26 in manufacturing (covering 19% of total manufacturing employment in the area) and 13 in services.



Lambeth Inner Area Study
Study area

Map 9.1



Lambeth Inner Area Study
Labour market areas

Map 9. 2

Problems in the study area

The inner area studies were set up to investigate the problems of the inner areas of cities, from the viewpoint of the residents of those areas not from the viewpoint of the whole cities or the whole country (IAS/LA/1). Accordingly, we present here the problems of the residents of the Lambeth Study Area. The problems we express first in personal terms, in terms of the experiences of the Lambeth residents. Our aim in so doing is to state the problems in their most basic form (the argument for that is in chapter 1 and its appendix A), so that we may go on to analyse those problems in economic terms.

For housing and some other problem areas, the geographical limitation that our concern is with the residents of the study area is easy to incorporate: for employment problems, however, it is difficult because most of the study area residents (88%) do not work in their home area (IAS/LA/4, table 2.2.1). Therefore, we have to investigate the employment problems in a wider area, an area which incorporates the workplaces of most of the study area residents. Accordingly, we found the workplace of the residents (IAS/LA/4, table 2.1.1 and fig. 2.2.1), compared them with accessibility contours drawn round the study area (IAS/LA/4, figs. 2.1.1., 2.1.2., 2.1.3., 2.3.1.), and thus defined a labour market area (LMA) which contained 82% of the workplaces of study area residents. That LMA consists of the 6 London Boroughs of Camden, City of London, Lambeth, Southwark, Wandsworth, and Westminster, and is shown on map 9.2. Some employment data are available for Department of Employment exchange areas only, which do not coincide with local authority areas. So it was necessary to define also two DE market areas, a narrow one of 7 EEA's and a wider one of 14 EEA's (map 9.2).

Our investigations discovered and identified the following six problem areas - unemployment, low incomes, poverty, poor housing, dissatisfaction with the district, and multiple deprivation. Each is described briefly below.

i) Unemployment

The residents of the study area suffer a number of unemployment problems.

- a high rate of unemployment

Table 9.1 shows unemployment rates defined in Census of Population terms: the study area had one of the highest rates (6.3%) in London in 1971, and unemployment there had worsened faster since 1966 than in the comparison areas.

- a higher rate of unemployment for men than women

Using Census of Population data in a slightly different way, we found that unemployment rates in 1971 in the Study Area were 5.6% for men, 4.1% for all women, 3.9% for married women (IAS/LA/4, table 7.2.1)

- the unemployed men were younger than average

In Brixton EEA, July 1973, 25% of the unemployed men were aged 18-24: in Britain at the same time, 18% were aged 18-24 (IAS/LA/4, table 3.3.1).

- unemployment fluctuated widely

For example, in the Brixton EEA, unemployment swung by about 50% from one year to the next (IAS/LA/4, table 3.4.1): unemployment of boys was 8 times higher in 1972 than in 1961.

- unemployment was distributed unevenly between the different occupational groups

For example, the 1971 Census of Population for the Study Area shows higher rates among semi-skilled, unskilled, and own-account workers than among skilled manual or non-manual workers. Comparing the study

TABLE 9.1

Unemployment Rates in Lambeth and Wider Areas

(per cent of active population 'out of employment' i.e. including sick, at 1966 and 1971 Censuses)

AREA	1966 %	1971 %	RATIO 1971+1966	AREA	1966 %	1971 %	RATIO 1971+1966
Study Area	2.4	6.3	2.6	Boro's with highest %			
Lambeth	3.4	6.1	1.8	Hackney	3.4	6.3	1.9
Inner London	3.2	5.9	1.8	Hammersmith	2.9	7.0	2.1
Outer London	2.2	3.6	1.6	Ken. & Chelsea	3.8	6.3	1.7
G.L.C.	2.5	4.6	1.8	Southwark	2.8	6.3	2.3
S.E.	2.3			Tower Hamlets	3.3	7.0	1.8
E & W	2.6			L.M.A. (6 Boro's)	3.2	5.9	1.8

Sources: 1966 Sample Census 'Work place and Transport Tables' Part I, Table 1; 1971 Census preliminary 10% analysis of Boroughs by G.L.C.P.T.; 1971 Census 10% Analysis for E.D.'s in Lambeth.

From IAS/LA/4, table 3.1.1.

area with other parts of London on that basis (IAS/LA/4, table 3.5.1), semi-skilled manual workers in the area fared twice as badly (unemployment 7%) than in the GLC (3.5%). Alternatively, the Household Survey asked about people experiencing some unemployment in the last year (1972/3): it was much higher for manual males (8.5% unemployed for more than 1 week) than for non-manual males (2.9%-IAS/LA/4, table 3.5.3). Alternatively, we look at the pool of unemployed in Brixton EEA in September 1973, (IAS/LA/4, table 3.5.4 and fig 3.5.1) and find a concentration of generalised and relatively unskilled workers (see table 9.2).

ii) Low incomes

The Household Survey asked about normal gross incomes which, used selectively, indicate normal gross earnings. The findings are shown in table 9.3 for four broad occupational groups, and are compared with earnings elsewhere.

It can be seen that male earnings were generally low for the study area residents: the median was £34.0 a week, 17 $\frac{1}{2}$ % below the national median of £41.1 a week. Moreover, given the fact that study area men worked either in Central London or the rest of Greater London, what is particularly interesting is that there was much more of a difference between the average earned by all men working in those areas and the average earned by that sub-sample of them who lived in the study area.

Not only were median incomes lower than nationally, but also there were proportionately more low paid workers living in the study area than elsewhere. If we measure the proportion of all full-time men earning less

TABLE 9.2

Principal Specific Occupations of Brixton male Unemployed, September 1973

CODOT No.	Description	%
991.20	Light Labourers & Factory Hands n.e.c.	21.4
991.10	Heavy Labourers n.e.c.	11.9
319R	General Clerical	5.7
868R	Construction Mates & Labourers	5.3
933.10	Light Goods Vehicle Drivers	3.3
811	Painting & Decorating	3.1
452R	Cleaners	1.6
762	Electricians	1.6
361R	Salesmen & Shop Assistants	1.5
343	Mail, parcels, messengers	1.4
173	Performers (Entertainment)	1.3
742	Motor Fitters & Mechanics	1.3
951	Storekeepers & Warehousemen	1.3
435.30	Kitchen Porter	1.1
	Sub Total	61.8
	Total unemployed men = 100%	2260

(Source D.E. Regional Office EDS 68 Sheet)

From IAS/LA/4, table 3.5.4.

TABLE 9.3

Average Earnings compared with other Areas (April 1973)

Full Time Workers Over 21(men) and 18(women)

Area	Mean Gross Weekly Earnings (£)			
	Man. Men.	N.M. Men	Man.Women	N.M.Women
By Residence:-				
Lambeth Study Area [‡]	34.1	34.3 [‡]	19.9 [‡]	25.9 [‡]
By Workplace:-				
Central London	40.9	58.6	22.8	30.5
Rest of G.London	40.0	51.5	22.1	27.3
Outer Metropolitan	39.3	49.1	20.0	24.9
West Midland Connur- bation	40.7	47.3	20.0	23.8
Manchester "	35.9	45.9	19.1	23.1
Merseyside "	41.1	47.4	20.4	23.2
Tyneside "	38.3	44.5	19.3	23.0
Glasgow "	39.2	47.4	20.1	23.4
South East	39.3	51.8	20.9	26.8
West Midlands	40.3	46.4	19.8	23.7
North	37.9	45.3	18.9	22.9
East Anglia	35.5	44.4	19.1	23.3

Sources: Study Area - Social Survey Tab's 551 and 553,
289 X 242 X 240

Other Areas - New Earnings Survey, 1973; Dept. of Employment
Gazette, November, 1973, Tables 55-56 p.1136-7.

[‡]Study Area figures should be treated with some caution; they represent income rather than earnings, and women's averages are likely to be

distorted upwards by family allowances; they have been adjusted by 7% to allow for 6 months inflation; also, they are by area of residence, unlike the other figures.

From IAS/LA/4, table 7.1.1.

than £24 a week gross, we find it to have been 15% in the study area and 7.7% in Britain.

An analysis of the earnings of full-time male workers by colour of skin was rather inconclusive because of the small numbers in the sample, except that it showed white skilled manual workers earning about 20% more than coloured skilled manual workers.

iii) Poverty

The combination of high unemployment and low incomes produced, as would be expected, low household incomes and much poverty.

The average gross weekly household income in the study area sample was about 12% below the UK average in 1973 (£42.0 compared with £47.8), while average households size was only 4.3% smaller (Bramley, 1975).

Poverty can be measured in a standard way, taking disposable income (net of rent) per principal income unit, using the same definitions as the Supplementary Benefits Commission. This showed about 24% of families in the study area to be in poverty (conventionally defined as below 120% of the standard SBC rates at that time - 1973), higher than in Britain (19% in 1972 - Bramley 1975).

iv) Poor Housing

Information about housing problems was obtained from both the Household Survey and Censuses of Population, and we can summarise as follows:

- sharing

In 1971, 30% of households in the study area shared dwellings: it was as high as 60% in the 3 and 4 storey terraces (IAS/LA/5, table 9). In England and Wales (1966) it was 7.3% (IAS/LA/5, table 4).

- overcrowding

In the study area as a whole, 6.6% of households lived at more than 1.5 persons per room in 1971: again, overcrowding was worst (9.8%) in the 3 and 4 storey terraces. In England and Wales it was 2.8% in 1961, when it was 7.9% in the study area. (IAS/LA/5 table 4).

- underprovision of amenities

Altogether, in 1971 only 65% of households had exclusive use of hot water, bath or shower, and inside W.C., compared with 72% in England and Wales (in 1966 - IAS/LA/5, table 4). In the 3 and 4 storey terraces, only 34% of households had that exclusive use, in the council dwellings 98% had (IAS/LA/5, table 9).

- perceived housing inadequacies and problems

People were asked individually what they thought their housing lacked and whether there were "any other kinds of problems" to do with their housing. By housing tenure, the percentage saying that they lacked at least one thing was 51% among owners, 63% among council tenants, 70% among council tenants, 70% among furnished tenants, and 75% among unfurnished tenants. The proportions who mentioned at least one housing problem were: owners 35%, furnished 39%, council tenants 61%, unfurnished 63% (IAS/LA/5, para 3.15). By housing types, the people who complained most about housing lacks were those in the "Buildings" (91% - old, mainly philanthropic, blocks of flats), and the people mentioning most housing problems were those in the private flats (70%) and the private terraces (70% - IAS/LA/5, table 3.11).

- desire to change houses

People were asked if their household was "seriously thinking" of moving from their present address. Altogether, about 34% were thinking of moving house. This compares (General Household Survey) with 21% in

Greater London and 16% in the rest of England and Wales (IAS/LA/5, para 3.30).

- housing waiting list

There was in 1974 a waiting list of 16000 households for Lambeth's council housing, the longest list in London. Lambeth is unable to reduce this, in spite of large-scale new construction and acquisition of older property (IAS/LA/7).

v) Dissatisfaction with the district

The Lambeth Household Survey asked people what they disliked about the study area, using the same questions and methods as in the DOE's Environmental Survey. The percentage of the total sample disliking nothing (34%) was the same as in Greater London, but the things disliked were different. Compared with Greater London, more people complained about dirt (13%) and vandalism (11%) and fewer about traffic and shopping. Also, 21% complained about immigrants, problem families, etc (IAS/LA/5, table 5.2).

Forty three% of people thought that the district was "getting worse as a place to live in" (27% in England - IAS/LA/5, table 5.5), and 48% said that "taking everything into account" they would prefer to move to another district (31% in the London region - IAS/LA/5, para 5.29). Of those wanting to move to another district, 73% wanted to move outwards from London (IAS/LA/5, table 5.7). But of those wanting to move from the district, nearly three quarters said they felt they could not do so. They gave answers like, "we couldn't afford to move", "We've got nowhere to go", "We couldn't get a place", "We've put in for a transfer but can't get one". Such people (nearly one in five of the whole sample) could be said to feel "trapped" in the inner city. We call them the "frustrated movers" (IAS/LA/5, para 5.33).

vi) Multiple deprivation

The report "Interim note on multiple deprivation" looked at some of those personal problems to discover whether the same people who suffered one problem also suffered other problems. It took 6 household deprivation variables:

- low income per household member
- overcrowding
- having to share some household amenities
- not having exclusive use of a car and a telephone
- disability of household member
- unstable employment.

Over a quarter of households had no deprivations and about a third only one, making over half with one or none. No households had 6 and very few had 5. Altogether, 14% of households suffered from 3 or more. The households with the highest deprivation "scores" were one-person elderly households and families with 3 or more children.

The Inner Area Study discovered and identified those six problem areas, and expressed them as we have done, in terms of the unsatisfactory conditions experienced by the residents of the study area.

Economic Explanations of those problems

The same basic problem, we said in chapter 1, can often be formulated in several different ways, depending upon the terms in which it is analysed. Here it is our aim to analyse the basic problems of the Lambeth residents in economic terms, as far as that is possible. And in trying to achieve that aim we find that most of the basic problems (as expressed above) can be explained, wholly or partly, by the workings of the labour market in Lambeth and London, the workings of the housing market in Lambeth and London, and the interactions between those two markets. We consider first the problems of unemployment, then of low incomes, and finally of poor housing.

i) Unemployment

We start the explanation from the problems of unemployment. Unemployment might have three (interrelated) causes:

- many of the work force are unemployable or work-shy
- there is insufficient demand for labour
- the supply of labour is spatially separated from the demand for labour.

i.i) There was no conclusive evidence that the study area residents were more to blame for their unemployment than residents elsewhere. Old people and disabled people are unattractive to employers, but were not represented more in the study area than elsewhere (IAS/LA/4, table 5.5.1). Chronic voluntary job-changing can cause high frictional unemployment, but job-changing did not appear to be frequent for most of the working population (IAS/LA/4, table 5.4.1). Voluntary unemployment may result from workers recognising that they can receive as much or more in welfare payments than in take-home pay (net of travel costs etc.). There is some indirect evid-

ence (IAS/LA/4, table 5.3.1) and some interviewers' anecdotes suggesting that this happened, but not significantly.

i.ii) The high unemployment in the study area cannot be caused simply by an insufficient demand for labour in total. It is true that the demand for labour (measured as employees in employment) fell rapidly (by 7.2%) between 1961 and 1971 in the 14 EEA LMA, but the supply of resident workers in the same area fell much faster (by 16.0% - IAS/LA/4, table 4.1.1). A more detailed analysis of labour supply and demand is needed, one which looks not at the total employment market but at employment sub-markets - i.e. at employment by occupation.

There is no generally accepted method of comparing the relative demand for different occupations within and between localities, so the Lambeth Inner Area Study used many different methods (IAS/LA/4 section 4; Bramley 1975; Local Employers' Survey appendix B). The results of just three of those methods will be reported here.

First, table 9.4 shows the rate of change of employment by occupations in various areas. In the LMA, professional and administrative jobs have been growing slowly, clerical and manual jobs have been declining rapidly: in outer London, all jobs have been growing.

Second, table 9.5 shows ratios of notified vacancies to jobs by occupation in selected areas (the higher the ratio, the better the employment demand). The proportions of total vacancies which are notified probably vary greatly between occupations, so this measure must not be used to compare occupations. It can be used, however, to compare the demand for one occupation in one area with the demand for the same occupation in another area. So we see, for example, that the LMA was better than the S.E. region in prof-

TABLE 9.4

Male employment by workplace and occupation: percent change 1966-71

Occupation (OPCS) orders	6 Boro's LMA	14 EEA LMA	Croydon & Merton Boro's	Outer Metrop. Area
XXIV Administrators and managers	+8.8	+8.4	+24.8	+30.3
XXV Professional and technical	+7.5	+6.9	+27.6	+21.5
XXI Clerical	-12.5	-12.3	+8.7	+1.8
XXII Sales	-4.2	-5.3	+4.5	+0.3
XXIII Service, sport, recreation	+2.8	+3.1	+16.5	+6.5
XIX Transport Communication	-9.3	-9.4	+13.0	+3.2
XV Construction	-14.6	-14.1	-2.4	+9.3
XVIII Labourers	-21.2	-19.9	-10.9	+13.9
Remainder	-14.4	-14.8	-4.0	+8.0
Office occupations (included above)	0.0	-0.2	+22.1	+18.0
All occupations	-5.8	-6.2	+5.4	+2.3

Sources: 1966 and 1971 Census, 10% analysis by workplace
(uncorrected for bias or underenumeration)

From Bramley (1975)

TABLE 9.5

Male vacancies (September 1973) per job (1971) by workplace and occupation

Occupation (CODOT)	14 EEA	S.E.
	IMA	Region
Professional, managerial, technical	1.0	0.8
Clerical and related	1.5	1.8
Selling	2.7	2.4
Security, personal service	2.3	4.0
Making, processing, repairing	1.8	2.4
Painting, packing, assembling	3.9	3.8
Construction and mining	1.7	2.4
Transport and storage	1.7	2.0

Sources: EDS 68 for EEA's

DE Gazette December 1973 for S.E. Region

1971 Census Economic Activity Tables

(NB Miscellaneous/unskilled have been allocated
to the 4th, 5th, 7th and 8th groups)

From Bramley (1975)

essional, managerial, technical, and selling jobs, but worse in the manual jobs.

Third, table 9.6 shows ratios of notified vacancies to registered unemployed by occupation (the higher the ratio, the better the employment demand). Again, the measure can be used to compare areas but not occupations. And again we see that the IMA was worse than the S.E. region in the manual jobs.

So we find in the Labour Market Area that demand for some occupations was low (when compared with the demand for those same occupations elsewhere). In particular, junior non-manual, personal service, and semi-skilled workers faced a fairly low demand, unskilled manual workers a very low demand (Local Employers Study, para 2.6).

Yet it was those workers in the study area who suffered higher unemployment rates, and who formed the bulk of the unemployed (see above). It seems, therefore, that inadequate demand was the cause of the unemployment.

Demand was not low for all occupations in the IMA, however. Would it not have been possible for some of the unemployed to have found jobs in those occupations in high demand? The occupations in which there were vacancies were nearly all quite unattainable by most of the study area's unemployed, as the occupations in high demand ranged from accountancy, engineering, and management through town planning, draughting, and bookkeeping down to more marginal categories like sales reps (IAS/LA/4, para 4.3.10).

It is for that reason that we say there is a problem of occupational mismatch or disequilibrium in the Labour Market Area: the skills which were demanded were not those which were supplied, so an unacceptably high

TABLE 9.6

Male vacancies per unemployment (both for September 1973) by work-
place and occupation

Occupation	14 EEA	S.E.
CODOT	IMA	Region
Professional, managerial	1.12	0.87
Clerical and related	1.53	0.50
Selling	3.88	2.60
Service	1.50	2.74
Making, processing, repairing, assembling	1.51	3.41
Construction and mining	0.60	1.14
Transport and storage	2.14	1.93
Miscellaneous (labourers)	0.11	0.28

Sources: EDS 68 for EEA's

DE Gazette December 1973 for S.E. Region

From IAS/LA/4, table 4.3.1.

number of the study area male residents was unemployed.

i.iii) Perhaps the unemployed could not change their occupations to get jobs: but could they change the locations of their workplaces or residences? That is, is there a spatial explanation of unemployment in the study area, with the unemployed supplying labour in the study area and firms demanding those same skills but in other areas?

If that were so, it could still be that the jobs were quite near the workers but that unusually poor transport made the jobs inaccessible: with better transport, the workers could have got the jobs without moving house. Does that apply to the study area?

A little further out of London than Lambeth are Croydon and Merton where, as table 9.4 shows, jobs have been growing. But jobs in many of the less skilled manual occupations have been declining there, as in the IMA, although declining less fast. Table 9.7 compares vacancy : unemployment ratios between the (smaller) IMA and Croydon EEA. The ratios in the relevant occupations are better in Croydon, but not greatly so, and the absolute ratios in Croydon do not look very healthy.

So, opening up some of the nearer labour markets, by transport improvements, might help slightly some of the unemployed in Lambeth. It might be significant that it is the study area's skilled and semi-skilled men who were most likely to travel to outer London or beyond for work (IAS/LA/4, para 5.1.2).

Labour supply and labour demand might be further apart, so separated that the unemployed could get the jobs only by moving house. Indeed, this is so for Lambeth. It is in the Outer Metropolitan Area and the Outer South

TABLE 9.7Male vacancies per unemployment (March 1971) by workplace and occupation

Occupation	7 EEA	Croydon
	IMA	EEA
Professional, technical, managerial	1.16	2.39
Clerical and related	0.52	0.24
Sales	0.51	0.82
Services (excl. unskilled)	0.07	0.12
Manufacturing etc. (excl. unskilled)	0.29	0.89
Construction (excl. unskilled)	0.09	0.06
Transport and storage (excl. unskilled)	0.28	0.32
All unskilled	0.02	0.08

Source: EDS 68 for EEA's

From IAS/LA/4, table 5.1.2

East where jobs generally have been growing fastest (Keeble and Hauser, 1971 and 1972). In particular, the occupations which the unemployed of the study area offer were in demand out of London (table 9.4). So why did the unemployed of Lambeth not move out of London to get the jobs which were available there?

The answer is that they could not: they were in the inner London housing trap (as we called it). Even if the study area residents wanted to move out (and many did - see above), the availability of housing restricted them greatly: they were frustrated movers. To understand that, we look at the different housing tenure groups.

Owner-occupation

- it is this kind of housing which is predominantly available in outer London (56% in 1971, IAS/LA/6, table 2.2.2). Would it be available to people moving from the study area? It is easiest to buy a house if you have one already. Only 10% of study area households were owner-occupiers in 1971 (IAS/LA/6, table 2.2.2): moreover, many of those (the people who had lived there for several years) had relatively low incomes, and so would find it difficult to buy another house (IAS/LA/6, para 2.3.2). Did the study area residents earn enough to buy themselves houses in outer London? We estimated that a household income of at least £3200 p.a. was needed in 1973 to buy a house in the South East: only about 20% of households received that much (IAS/LA/6, paras 2.2.6, 2.2.7). So most study area residents could not move out into owner-occupied housing.

Local authority rented

- could study area residents move into council housing in outer London? The outer London Boroughs have only a relatively small stock of council

housing, and are reluctant to accept tenants (new or transferred) from inner London. The GLC has most of its housing stock in inner London. So what about the 42% of households already in council housing in the study area in 1971 (IAS/LA/6, table 2.2.2): could they have arranged a "swop" with outer London council tenants? It would have been difficult, because many more council tenants want to leave inner London than to enter it (IAS/LA/6, para 2.3.19).

Private unfurnished rented

- there are three reasons why study area residents would have found it difficult to take private unfurnished tenancies in outer London. First, the stock of such tenancies there is small and diminishing (22% in 1961, 16% in 1971, IAS/LA/6, table 2.2.2). Second, such tenancies are rarely advertised, and it seems that almost the only way of obtaining them is by local knowledge and personal contacts (IAS/LA/6, para 2.3.10); that reduces geographical mobility. Third, study area residents already in unfurnished tenancies (31% in 1971, IAS/LA/6, table 7.2.2) have a strong cost disincentive to move: security of tenure and rent regulation mean that a tenancy of some years standing gives good value for money, (the rents of accommodation available on the market were well above average rents currently paid in the study area - IAS/LA/6, tables 2.1.4 and 2.1.5).

Privately furnished rented

- the major difficulty in moving out of London into private furnished accommodation is that there is so little of it there: in inner London, 16% of households had that tenure in 1971 (16% in the study area also), but only 6% in outer London (IAS/LA/6, table 2.2.2).

We can conclude this explanation of the unemployment in the study area by summarising the two main causes:

- demand for certain types of labour (especially semi-skilled and unskilled manual labour) was low in the Labour Market Area:
- demand for such labour was higher in outer London and the outer South East, but housing reasons made it difficult for the unemployed to move out to that work.

ii) Low incomes

Let us move on to an explanation of the low incomes in the study area.

The low incomes were described above (table 9.3). It is possible that the low average incomes were a result of the occupational structure of the study area residents, but a test (IAS/LA/4, table 7.2.1 and para 7.2.1) showed this not to be so. A similar test (IAS/LA/4, table 7.3.1 and para 7.3.1) showed that the industrial structure of the residents could explain some, but not all, of the low average earnings. The demand for labour (investigated above) might explain the low incomes of the manual male workers, but not of the non-manual male workers for whom demand was high but incomes relatively very low. We need a further explanation of the low incomes.

The explanation might be selective migration, that incomes in the study area are low because there is a tendency for people who move into the area to have low incomes, and a stronger tendency for people who move out not to be on low incomes. The main reason would be the availability of housing (described earlier). So young workers in the professional and managerial occupations might live in places like the study area at the beginning of their careers, choosing it because of the strong demand for their skills there and the availability of smaller, cheaper housing: but as their incomes rise and as family considerations grow, such workers are

likely to move to the suburbs and beyond. In contrast, manual and clerical workers live in the area not because demand for their skills is high there but because they need rented housing, and that is available in the study area: such workers are unlikely to be able to afford to move out at any age.

There is some evidence for that theory of selective migration. Migrants into Lambeth Borough were disproportionately non-manual workers (IAS/LA/6, table 1.1) and disproportionately young single adults (IAS/LA/6, table 1.2). Migrants from inner South London to outer South London and the O.M.A. were disproportionately professional, managerial, and other non-manual workers (Bramley 1975). And the study area has been losing skilled manual workers (IAS/LA/2, table 4.1).

The effect on low incomes and the labour market of that selective migration can be deduced. The occupations in which labour was scarce were those in which the pay was high enough to allow out-migration, which in turn made the labour scarcer and probably pushed relative earnings higher still. The occupations in which there was unemployment were those in which the pay was so low that people could not escape the housing trap of inner London, which kept the labour supply plentiful and probably pushed relative earnings down (because of low bonus payments, overtime, etc.).

In conclusion, the main cause of the low average incomes in the study area appears to be, paradoxically, not the labour market but the housing market.

iii) Poor housing

Finally we try to explain the housing problems in the study area. As described above, they are manifestations of housing stress, too many

people wanting to live in too little housing.

Why did so many people choose to live in the study area, and similar parts of inner London? That question was the subject of the "Housing Stress" report (IAS/LA/6), where we grouped into three the possible reasons for living in inner London:

- housing reasons
- employment reasons
- additional reasons.

iii.i) One housing reason for living in the study area might be that the housing there is relatively cheap. But surveys showed that not to be so: the price for a given unit of accommodation in the study area was not cheaper than elsewhere in London. If anything, housing to buy was more expensive than further out and housing to rent was about the same price (IAS/LA/6, paras 2.1.6 to 2.1.8). (That is not surprising when we remember that many of the housing problems were caused by an excessive demand for housing.)

It is not cheapness which made people choose to live in the study area, but the ready availability because of tenure of much of the housing to relatively poor households. In the study area, housing was available to rent and that attracted the poorer people who could not afford to buy. The evidence has been presented above, in the sections on the housing trap and selective migration.

iii.ii) In contrast, evidence from the Household Survey suggests that employment reasons for choosing to live in the study area were not strong. For example, households in residence for less than 5 years were asked their main reason for moving to their homes, and their reasons were

overwhelmingly to do with housing (81%) rather than work (6 $\frac{1}{2}$ % - IAS/LA/6, para 3.2). Nevertheless, when people were asked why they did not move out of inner London, 38% said that the area was convenient for their work (IAS/LA/5, table 5.8). Interestingly, of those 38% the majority worked in the central area and had non-manual jobs: that is consistent with the selective migration thesis described above.

iii.iii) A third reason for living in the study area might be that the residents liked the area, the amenities it offered, the local kinship or community ties, the residential character, etc. We can state categorically that those reasons were important for very few people. Very many of the residents disliked the area and nearly half wanted to move out (see "dissatisfaction with the district" above).

We can conclude this explanation of the housing problems in the study area by saying that they were caused mainly by too many people wanting to live there, and by saying that so many people wanted to live there mainly because rented housing was available there and many Londoners had to rely on finding rented housing irrespective of where their jobs were.

iv) Conclusion

This chapter started by identifying six problem areas in Lambeth, and we have just shown that three of them - unemployment, low incomes, and poor housing - can be satisfactorily explained in economic terms. Explanations of the other three problem areas - poverty, dissatisfaction with the district, and multiple deprivation - can in part be derived from the economic explanations of the first (and main) three problem areas.

The efficacy of physical planning solutions

The analysis above has shown that one of the main causes of the high and selective unemployment among the study area residents has been the loss of certain types of job from the Labour Market Area, although similar types of jobs have been growing elsewhere in the London region. Moreover, it is often suggested that the problems of inner cities should be tackled by attracting more jobs into those areas (see the examples quoted in chapters 2 and 3 and the suggestions at the end of this chapter). So one of the central policies for helping inner area residents (like those in Lambeth) has to be to provide more jobs in and around the inner areas.

How is that policy to be implemented? We cannot answer without more knowledge of the advantages and disadvantages of the inner areas as industrial locations. It was partly to provide that knowledge that we carried out the Local Employers' Study, a survey of 39 firms in the Lambeth Labour Market Area. We wanted to know what it was like to manage a firm in inner south London, and why so many employers were finding it difficult to do so. What were the constraints on the firms caused by that industrial location?

We found that the main constraints on the firms in the survey area were two - lack of space, and a poor quality of labour supply.

Lack of space includes a number of problems with industrial sites and premises. Such problems include old premises, small and constrained sites, parking, access, congestion, unreliable public services, a poor environment, lack of amenities, and vandalism. It is such problems that physical planning can tackle well, by zoning and servicing more industrial land, by planning industrial areas with expansion space, good roads,

access, and amenities, by not endangering industry with redevelopment programmes, etc.

Poor quality labour supply includes the difficulties of recruiting locally skilled manual and higher grade non-manual workers, low educational standards of the local labour supply, poor attitudes to work, etc.

Physical planning will have little effect on those problems.

Both those factors, lack of space and a poor quality labour supply, are making inner South London unattractive as an industrial location. We found that both had caused firms to move out from there in the past, and that both were still causing firms to consider, or to prepare for, leaving the area. So both must be tackled. Physical planning will be a powerful and appropriate weapon to use, but alone it will not be sufficient. The problems caused by Lambeth as a poor industrial location are not amenable to physical planning measures used on their own.

Proposals for alleviating the problems in the study area

One of the requirements of the Inner Area Studies was that the consultants should consider the possibility of applying non-physical as well as physical measures, that the studies should be more than town planning reports. In Lambeth we interpreted that requirement as allowing us to consider recommending a mixture of physical and economic measures (and we analysed the problems accordingly - see above). Here we describe many of those recommendations, and it can clearly be seen that our analysis of the problems led us to an integrated mixture of economic and physical proposals, certainly to a range of proposals wider than could be found in a town planning report prepared within town and country planning powers.

i) The Study Team's recommendations

The final Lambeth report, "Problems and possibilities" (IAS/LA/11) made 55 recommendations for tackling the study area problems, the problems described above and many others. Here we list only those recommendations (21 of them) for reducing the problems we have described.[ⓧ] We follow that list by amplifying some of the recommendations, and finally we add some economic measures which were discussed but not adopted.

Our selection of the Study Team's final recommendations is as follows.

i.i) Employment

The general aims of policy should be:

- to slow or even reverse the decline of certain kinds of employment in Inner London, and to create new job opportunities where possible;
- to help less skilled and low income people to move out of Inner London;

[ⓧ] Nevertheless, our selection includes most of the more important proposals: "Problems and possibilities" selected 4 areas for priority and 2 of them - balanced dispersal and employment - cover almost all our selection.

- to increase the skills and the educational level of the population.

To achieve those aims we recommended:

1. A positive statement is needed by central government and the local authorities that they now favour the retention and development of industry in parts of Inner London.
2. IDC controls should be removed in these areas.
3. There should be a complementary relaxation of planning controls in Inner London over industry and commerce.
4. Some office development should be allowed in areas well served with public transport and with a shortage of clerical jobs.
5. More land in Inner London for industrial and commercial uses should be identified, allocated, and serviced.
6. Local authorities should provide a range of services to small businesses, including advice and cheap premises.
7. Selected London local authorities should be allowed to promote their areas to industrialists.
8. Areas containing many small businesses should not be subject to wholesale clearance.
9. Mixed use zones should be protected and where necessary created.
10. Inner London should receive a proportion of publicly-controlled industrial investment.
11. Immediate measures must be taken to revive the construction industry, particularly in the housing rehabilitation field, leading to a secure long term programme in both public and private sectors.
12. New policies are needed on housing development, tenure, and allocation to enable more unskilled and low income people to move out of Inner London.

13. A major expansion of training schemes should be undertaken, including both existing and new forms.
14. More emphasis should be given in schools to basic academic skills and to vocational preparation.
15. An experiment should be mounted to provide a new form of personal counselling service to people with employment problems in Inner London.

i.ii) Balanced dispersal of population

The aim of this policy is to open the "housing trap", so that people who rely on rented housing have the opportunity of getting it further from the centre of London, where they will be able to enjoy both lower density housing and better access to appropriate jobs.

To achieve that aim we recommended:

16. The employment qualification for housing in new and expanded towns should be relaxed so as to give better opportunities for out-migration by low-skill inner city residents.
17. There should be a common allocations policy for all London housing authorities.
18. There should be selective intervention to acquire housing in the Outer London market for Inner City residents.
19. More public housing should be built in Outer London, in selected parts of the Green Belt and in the "growth areas" identified in the Strategic Plan for the South East.
20. The rate support grant arrangements should be revised so as to ensure that Inner London authorities do not have to suffer disproportionately because of their loss of population.

i.iii) Housing

21. Measures are needed to improve job opportunities (see above) and income support so as to raise the incomes of people in the study area, leaving them with more income to devote to their own housing.

ii) Amplification of some of those recommendations

It will be useful to amplify some of those recommendations, as follows.

Each amplification bears the number of the recommendation which it expands.

4. Nevertheless, planning applications for offices should not be allowed if they jeopardise the provision of manual jobs - e.g. if the offices would be on land at present used for, or with potential use for, industry.
5. The extra industrial and commercial land to be zoned should be provided at generous space standards. In some cases it could be that extra industrial land should be transferred from land previously allocated to housing.
6. The local authorities should provide industrial premises in a range of sizes, but with a good offering of small premises (e.g. nursery factory units and workshops). It might be possible to provide cheaper premises by refurbishing existing vacant industrial premises. (There is a new council housing estate in the study area with basement garages that motorists dare not use. Perhaps the garages could be used for small workshops.)
7. To allow the London Boroughs to promote their areas to industrialists, it would be necessary to repeal section 144 of the Local Government Act 1972.
13. The local authorities should examine the training programmes taken by their own employees, and could adapt them where possible so that they

provided manual skills which could be used by other (private) employees. The Training Services Agency should examine, with the help of the local authorities, local employers, and local trade unions, the adequacy of its local Skill Centres, with reference to the number of places provided and the skills taught. The TSA and the Industrial Training Boards should jointly examine the possibility of giving grants to firms which give approved training to workers (at present, such firms are just repaid the levy they have to pay to the ITB's). The grant could be greater in areas like Inner London where there is a demonstrable shortage of skilled workers.

- 17, Perhaps a grant should be available towards the cost of people moving
 18, from inner to outer London. (It might be that the Employment Transfer
 19, Scheme, operated by the ESA to help unemployed workers move to available work, could be adapted to that purpose.) Outward movement of people would also be helped if job vacancies in outer London were regularly advertised in the Inner London Employment Offices. Also, it might help if the GLC set up a local version of its Industrial Selection Scheme. The ISS was to co-ordinate the movement from London to new towns of workers and jobs; a local version might co-ordinate the movement of workers and jobs from inner to outer London.

iii) Other economic measures to help Inner London

There were other economic measures which were suggested and discussed but not, in the end, adopted. Listing these should help to illustrate the possibilities of local economic planning.

- The inner south London Boroughs should form jointly a powerful and swiftly acting Industrial Development Committee with the job of keeping

existing industry, attracting new industry, and reviewing changes and problems in the local labour market. Some of the proposals described above (e.g. providing industrial land and premises) would probably be implemented more effectively by local authorities working together than separately.

- Each local authority should set up a small committee of officers to examine the consequences for employment of each local and central government proposal, and each private planning application, for planning, housing, and transport in its area. That sub-committee should report back to the Council on those consequences before the proposal or application was accepted or rejected.

- A body like the Industrial Development Committee should sponsor a conference of local employers, trade unions, and local and central governments about industry and employment in the area. If that conference were found to be helpful, the members could agree to form a local standing committee, like a local Economic Planning Council.

- Local authorities should enter into agreements with appropriate financial institutions to borrow the money for giving mortgages to firms to build new premises on local authority land (under section 3 of the Local Authorities (Land) Act 1963). Also, the local authorities should examine ways of guaranteeing risk capital lent by the financial institutions to new firms setting up in the area.

- Local authorities should propose more schemes like Community Industry and the Job Creation Schemes which employ young people with grants from the MSC. Job Creation Schemes can be proposed by private organisations too, so local authorities should encourage others to propose such schemes.

Wherever possible, such schemes should produce environmental improvements and train young people in transferable skills (as did the Community Industry

scheme in Small Heath, Birmingham, on which unemployed young people learnt construction skills by patching short-life housing under the guidance of a building tradesman).

- A special employment agency for coloured people might help more of them to find better jobs: that should be examined.
- We know that job opportunities in Croydon are better than in the more accessible labour market area, but that Croydon is difficult to reach by public transport. Experimentally, special transport (e.g. a minibus) should be provided between Croydon and the study area.
- In an area where male earnings are low, it is particularly important that wives be able to work to supplement the household budget. (That might be the reason that female activity rates are exceptionally high in the study area (IAS/LA/4, table 6.1.1). To help wives, who are also mothers with young children, to go out to work, extra day-care should be provided for children under five years old. (In fact, one of seven action projects mounted by the Inner Area Study was to provide day-care for the under 5's. For that project, eight salaried childminders were appointed and trained. But because the project aimed mainly to improve the care of the children of mothers already at work, it achieved no direct employment gain.)
- During the work of the Inner Area Study, a local man had plans to start a local factory making furniture, using local labour organised into a workers' co-operative. It would have been both useful and interesting for the local authority to have lent money to get the scheme started, and in return to have monitored closely its progress.

iv) Conclusion

Most of the economic measures proposed above are legal - that is, they could be implemented within existing legislation. A few would require new or changed legislation. Our point in describing the measures here, however, is not to make a case for new economic powers: rather it is to illustrate how greatly is the range of urban policies expanded when we consider tackling urban problems not just by local physical planning but also by local economic planning.

Chapter 10

EMPLOYMENT PROBLEMS AND PROGRAMMES IN BIRMINGHAM

The purpose of this chapter is to illustrate theoretical statements made earlier about the use of local economic powers. For illustrations we use empirical findings from the study "Development work on Comprehensive Community Programmes" carried out for the Home Office. One of the objects of that study was to examine how local employment problems in Birmingham were being tackled; and as many of the powers available for tackling local employment problems are local economic powers, the object was sought by studying the use of those powers.

The theoretical statements that we illustrate are:

- that there are already available several local economic powers, that some powers often considered as physical planning powers may usefully be considered also as powers over economic variables, and that local economic powers can be operated both centrally and locally. We illustrate those statements by listing the powers available for influencing employment locally.
- that the practice of local economic planning has been poorly developed. We illustrate that first by listing the applications of the available powers in Birmingham: we find that some only of the powers are being applied, and that some of the powers are being used in contradictory ways. We illustrate the statement secondly by investigating how the applications of some of the powers are co-ordinated - specifically, the powers to advise industrialists, and the powers to provide training. We find many instances of poor co-ordination. Those findings illustrate a third statement also:
- that local economic planning can produce conflicts between central and local government, because those two levels of governments often have different objectives. In advising industrialists, central government

often wants to steer firms away from Birmingham. In providing training, it is a national objective to produce skilled manpower for industry, whereas local government might want to use training schemes for social purposes: and central government has so much more money for training than local government that the former can dominate the training provided by the latter.

The powers available for influencing employment locally

A comprehensive list of powers is given below, divided into those operated by central, and those by local, government. It will be seen that several of the powers are more normally classified as physical: but, as we said in chapters 1 and 2, some physical variables can fruitfully be considered as economic (e.g. industrial buildings considered as an input to the production process). Abbreviations are used to refer to organisations, as follows:

DE	Department of Employment
DI	Department of Industry
DOE	Department of the Environment
EO	Employment Office (of the ESA)
ESA	Employment Service Agency
ITB	Industrial Training Board
LEA	Local Education Authority
MSC	Manpower Services Commission
NEB	National Enterprise Board
TSA	Training Services Agency

Other abbreviations used are:

AA	Assisted Areas
DA	Development Areas
IA	Intermediate Areas
IDC	Industrial Development Certificate
ODP	Office Development Permit
SDA	Special Development Areas

(i) Powers operated by central government

Influencing the location of employment within the country

a) Regional Employment Premium

Powers: to pay a premium payable to employers with manufacturing establishments in Special Development Areas and Development Areas.

Weekly rates of Regional Employment Premium

	Full-time	Part-time
Men over 18	£3.00	£1.50
Women over 18 and boys	£1.50	.75
Girls	.95	.47½

(It has recently been announced that the REP will be withdrawn.)

Operated by the DE.

b) Investment grants for Assisted Areas

Powers: to give capital grants for new buildings, adaptations of existing buildings, new plant and new machinery, in the SDA's (Special Development Areas) and the DA's (Development Areas).

Grants are available for buildings only in the IA's (Intermediate Areas). Value of items of plant must exceed £100 and value of buildings must exceed £1000. Levels of grant are 22% in SDA's and 20% in DA's and IA's.

Operated by the DI.

c) Location Advisory Services

Powers: to give advice on locations within assisted areas to firms in all areas willing to move to the AA's (Assisted Areas).

Operated by the DI.

d) Designation of New Towns

Powers: to designate new towns (which are attractive to industry).

Operated by the Secretary of State for the Environment.

e) Location of nationalised industries

Powers: to influence the location of new branches of nationalised industries.

Operated by the Government sponsoring Department and, in particular, the DI.

f) Location of Government Offices

Powers: to choose the location of new offices of the Civil Service.

The Civil Service Department is responsible for dispersing jobs from London. The Property Services Agency is responsible for the government estate.

g) Industrial Development Certificates

Powers: to withhold or grant an IDC. An IDC is required when the floor space of a proposed industrial development exceeds 12,500 square feet in the South East, and 15,000 square feet in the other non-assisted areas and in the IA's. They are not needed in SDA's and DA's.

The criteria on which a proposed development is assessed are as follows (in non-AA's).

- The degree of mobility possessed by the proposed development. If the development is clearly mobile the developer may be encouraged to consider one of the assisted areas (even so few IDC's are actually refused).
- The degree of compatibility with needs and resources of the locality concerned.

- Applications by existing occupiers to modernise and improve their premises or to improve efficiency are considered sympathetically.

Operated by the DI

h) Office Development Permits

Powers: to grant or withhold permission to develop offices. (At present this applies to offices over 15,000 square feet in Greater London.)

Operated by the DOE.

i) Grants for office and service industries

Powers: to give employee removal grants, rent assistance or purchase assistance, loans, and removal grants to industries in SIC orders XXII to XXVII which move to an Assisted Area.

Operated by the DI.

Promoting new industry and employment

a) Selective Assistance to Firms

Powers: to give preferential loans, under Section 8 of the 1972 Industry Act. (Procedures are apparently ad hoc - witness the aid provided to such firms as British Leyland, Alfred Herbert, Chrysler UK, and Norton Villiers Triumph.)

Operated by the DI.

Powers: in June 1975 the Accelerated Investment Scheme was introduced. The aim was to bring forward big investment schemes as a counter-recession measure, by offering preferential loans. When introduced the scheme was to run for 6 months: now it has been extended to 12 months. To qualify for the scheme a minimum of £2M is to be invested: now reduced to £0.5M.

Operated by the DI.

b) Selective Assistance to Firms in Assisted Areas

Powers: to give loans and grants, under Section 7 of the 1972 Industry Act, to encourage industrial projects which will improve employment prospects in the Assisted Areas. New projects and expansions which create additional employment may qualify for loans at concessionary rates, for interest relief grants, and for removal grants (for a move into an Assisted Area): modernisation and rationalisation projects which do not create additional jobs may qualify for loans at commercial rates. The assistance may be given to mining, manufacturing, and construction firms, and possibly to firms in the service industries.

Operated by the DI.

c) Selective Assistance to Industries

Powers: a part of the New Industrial Strategy, adopted at the Chequers meeting of November 1975, was the identification of 'bottlenecks' in industry and the introduction of measures to alleviate them. It is implied that shortages and bottlenecks will occur once economic recovery gets under way. The aim is to encourage investment that will improve supply and assist in the improvement of working conditions. So far, the following industries are eligible for this assistance under Section 8 of the 1972 Industry Act.

Ferrous Foundries
Machine Tools
Clothing
Textile Machinery
Printing Machinery
Paper and Board

The main type of assistance available is in the form of grants for which any firm in the identified industry may apply.

Operated by the D.I.

d) Industrial Advisory Service, i.e. Small Firms Information Centre
 Powers: this service replaced the Industrial Liaison Officers in 1971. Essentially it is a signposting service. It does not provide the advice, but indicates to small firms where such advice is to be found in the public and private sector.
 Operated by the DI.

e) Planning agreements

Powers: to enter into planning agreements with private firms, under the Industry Act 1975. These agreements will guarantee the continuation of selective aid to firms, in return for promises of community benefits.
 Operated by the NEB, probably through the DI.

f) Provision of Factories

Powers: to build factories in the Assisted Areas, both advance factories and custom-built factories, for sale or rent.
 Operated by the DI, through the English, Scottish, and Welsh Industrial Estates Corporations.

Influencing the labour supply

a) Employment Transfer Scheme

Powers: to give grants towards the cost a person might incur if he is unemployed in one area and can get a job in another area. Also grants are available towards the cost of unemployed workers seeking jobs in other areas. (It is the Resettlement Transfer Scheme, revised and renamed. Essentially, it is a method of moving the workers to the work.)
 Operated by the ESA (Employment Service Agency), from the branch in the area which the worker is leaving.

b) Allocation of tenancies in New Towns

Powers: to allocate tenancies in new towns to people who move to take

work in the new town. (That can be done strictly - as with Industrial Selection Schemes - or more casually.)

Operated by the Development Corporation (which is answerable to the DOE).

c) Assistance to key workers

Powers: to give grants to key workers who move with a firm to an assisted area, or who are brought into an assisted area by a firm expanding there.

The grants are towards travelling and removal costs.

Operated by the ESA in the receiving area.

Job Creation

a) Job Creation Programme

Powers: to provide financial support for approved labour intensive projects. To run to 30th September 1977.

There is a national budget of £90M for job creation. Any agency or organised group can sponsor a project for support under the programme. Financial support is dependant on approval from the area-based Action Committees and Secretariats. The following criteria are applied in ascertaining the eligibility of a project: the project is labour intensive, offers a training opportunity, contributes to an enhancement of the local environment or assists in the solution of a social or community problem, and has no duplicate funding by, e.g., the Community Industry Scheme (see below). Support is given to cover labour costs and the employer's national insurance contribution, and up to 10% of labour costs of any project may be claimed to help offset the cost of materials and equipment. Operated by the Manpower Services Commission.

b) Community Industry

Powers: to support financially projects sponsored by a local Community Industry office. Work to be of social and environmental value, and no chance of the work being done by other agencies. Started in 1972.

Community Industry is the responsibility of the National Association of Youth Clubs, but management is vested in a board made up of representatives of the NAYC, the DE, TUC, and CBI. The local authority may provide premises, equipment, and transport.

Operated by Community Industry.

c) Recruitment Subsidy for School leavers

Powers: to pay employers a subsidy for the recruitment of eligible unemployed young persons. This scheme was introduced in October 1975 and runs until 30th September 1976. The amount payable is £5 per week per recruit for a period of 26 weeks. The recruit must satisfy the following conditions: be under 20, unemployed and registered for work at a Careers Office or local ESA office, and have not been in 6 weeks of continuous employment since leaving full-time education. He may be attending a training course, of 26 weeks or less, provided by the TSA or be in the employ of Community Industry.

The employment must be full-time, a genuine vacancy i.e. not created by the discharge of other workers, and not with subsidy support from the Temporary Employment Subsidy scheme.

Operated by the DE.

Employers wishing to nominate a young person may apply through the local Authority Careers Service or the local ESA Office.

d) Youth Employment Subsidy

This replaces the Recruitment Subsidy for School Leavers.

Powers: an employer in the private sector or a nationalised industry who engages a young person may be eligible for a subsidy of £10 per week for

each young person. Eligible young people are those under the age of 20 who have been registered as continuously unemployed for six months or more. The subsidy is payable for 26 weeks from the date the young person starts work. The scheme is limited to engagements during the six months from 1st October 1976 to 31st March 1977.

Operated by the DE.

e) Work Experience Programme

Powers: to encourage employers to set up schemes to assist younger job seekers, who have not had the opportunity to gain experience in the employment field. Projects are provided by employers and must not in any way displace normal recruitment of trainees. The cost of allowances to the young people concerned (£16 per week) is met by public funds.

The programme is open to unemployed young people in the 16/18 age group. Interested employers contact the WEP area office.

Operated by the MSC.

f) Job Release Scheme

Powers: the scheme applies to Assisted Areas and runs from 1st January 1977 for six months. Broadly the scheme offers to 64 year old men and 59 year old women a tax free £23 per week allowance until they reach retirement age provided that on leaving their employment they are replaced in their jobs by a registered unemployed worker. The allowance will also be available to anyone of eligible age who is on the unemployment register and wishes to leave the labour market.

Operated by the DE.

Training

a) Training Opportunities Schemes (TOPS courses)

Powers: to place and finance people on training courses, to provide Skill Centres and the training within them, and to give financial support

to the trainees. Courses are vocational, off and on-the-job, and of 4-52 weeks duration. Trainees are over 19 and have spent 3 years away from full-time education. They receive tax free training allowances - from £14.50 per week - for the duration of their training.

The training can be on "exclusive" courses. These are provided in LEA colleges, private colleges, and private firms, and are attended by TSA (Training Services Agency) trainees only. The TSA pays for the courses and supports the trainees with allowances.

The training can be on "infill" courses. These are existing training courses provided already by other agencies and attended by other trainees. The TSA pays the fees for its trainees and supports them with allowances.

Finally, the training can be in Skill Centres. These are special training centres provided, staffed, and controlled by the TSA. The TSA supports the trainees with allowances.

Operated by the TSA. The exclusive and infill courses are operated in conjunction with other training agencies.

b) Training within industry

Powers: to train workers seconded for short courses with their firms. The main aim is to help those firms which are too small to run their own training courses. The training is in TSA premises or on the company's premises. Firms are charged economic fees, except in AA's where the training is free.

Operated by the TSA.

c) Wider Opportunities Courses

Powers: Skill Centres put Work Sampler courses of 2-3 weeks. Working situations are provided wherein participants can assess their aptitude for various types of work.

Operated by the TSA.

Powers: Occupational Selection courses are mounted in LEA premises to assess the capabilities and aptitudes of trainees.

Operated by LEA staff and financed by the TSA.

Powers: Basic Skills courses are financed by the TSA, usually at employers' premises, to give basic (not full) skills training which should enhance the participants' employability.

Operated by the TSA, in conjunction with other training agencies.

d) Industrial Training Boards

Powers: these Boards were set up under 1964 Industrial Training Act to supervise industrial training. 28 Boards and 1 Industry Training Committee cover firms employing about 65% of the working population.

They work with the TSA and the LEA to supervise apprenticeship schemes within firms and to sponsor off-the-job training courses. They are public organisations, which work closely with private firms. They finance much training in LEA colleges and private firms, by a levy on private firms.

ITB's do not provide any training themselves. For the purpose of this study, the ITB's are useful for providing information about training in private firms. But even that information is likely to be partial, for ITB's do not cover all firms, and even for firms which are covered by an ITB, that ITB might not be represented regionally.

e) Schemes to help apprentices during the recession

Powers: "Awards" schemes have been instituted by some ITB's. Under these, premium grants - of up to £1750 per apprentice- are paid to employers for every apprentice taken on, in excess of normal intake, for "off-the-job" or full-time training at a further education or technical college. The ITB's pay apprentices so engaged £15 per week in lieu of wages. The Scheme was introduced in 1975 to run for one year and is likely to be extended for a further year. Firms who take on such apprentices receive adoption grants of up to £750. To assist Sandwich course students, the ITB's are encouraging employers to engage them with the promise of £25 per week grant for up to 26 weeks. The ITB's also operate a scheme to help redundant apprentices by helping them to enter a TSA Skill Centre although they are below 19, in order to finish their apprenticeship.

Operated by the ITB's in conjunction with the LEA and the TSA.

Placement and advisory services

a) Employment Office Services

Powers: to assist people to select, train for, obtain and retain employment suitable for their ages and capacities, and to assist employers to obtain suitable employees.

The ESA sees its role as a consulting agency operating in local labour markets providing job seekers and employers with:

- information on specific jobs available, in the local labour market or in other areas,
- advice on labour market opportunities,
- expert assessment and guidance for particular clients with special problems and needs.

Operated by the ESA.

b) Job Centres

Powers: the centres display vacancies in ways which allow job seekers to choose jobs quickly and simply for themselves. Employment Advisors are on hand for the provision of assistance and advice - if the job seeker should request it. Job Centres are sited and designed to attract as many job seekers as possible.

The aim is to provide employment placement services more efficiently and attractively than when those services are provided from Employment Exchange Offices.

Operated by the ESA.

c) Occupational Guidance

Powers: to advise people who want to choose or change their occupations. In Britain, some 44 Occupational Guidance Units exist for this purpose. Individuals receive advice and assistance from Occupation Guidance Officers in these units.

Operated by the ESA.

d) Special services for Disabled and Disadvantaged

Powers: under the Disabled Persons (Employment) Act 1944 firms employing 20 or more people, with certain exceptions, are obliged to employ a specified percentage of registered disabled people. The ESA compiles and retains a register of disabled people. There are two categories: Section I are disabled people suitable for normal employment; Section II are disabled people who are generally employed in sheltered conditions.

The ESA also provides an advisory service to the disabled to assist them with resettlement problems. A Disablement Resettlement Officer is based at each ESA local office to provide this service. Employment Rehabilitation Centres assess the capabilities of disabled people for work, and prepare them for a return to work.

Attempts are being made to identify and assist the socially disadvantaged - those with special employment problems who are not 'disabled'.

Operated by the ESA.

Employment protection

a) Temporary Employment Subsidy

Powers: to pay a subsidy of £20 per week per employee whose redundancy is deferred. Under the scheme a redundancy may be deferred for a maximum of 52 weeks.

Conditions of payment are: that at least 10 workers be threatened with impending redundancy in an establishment within 90 days or less, that the company be solvent, and that the applying company is adhering to the government pay guidelines.

The scheme is operated by the DE through its regional offices.

b) Advance notification of redundancies

Powers: to require that any redundancy involving 10 or more workers at an establishment be notified to the DE. Minimum periods for notification: if 10 to 99 employees may be dismissed as redundant over a period of 30 days or less, notification of at least 60 days; if 100 or more may be dismissed over a period of 90 days or less, notification of at least 90 days.

Operated by the DE.

(ii) Powers operated by local government

Influencing the location of employment within the county or district

a) Structure Planning

Powers: to make provision, at the strategic level, for land for various uses, including housing, industrial, and commercial expansion or relocation, by area within the County. (These provisions can help to meet specified employment objectives.)

Operated by the County

b) Land use planning

Powers: Districts have the power to prepare local plans, including provision for industrial land, within the context of the Development Plan Scheme drawn up by the County. Local plans carry the structure plan policies and proposals for land use through to a detailed local base.

Powers: Counties and Districts have powers for reclaiming and changing the use of derelict land which they can allocate for industrial use. Such changes of use are carried out within the context of structure and local plans.

c) Transport planning

Powers: to provide transport infrastructure and public transport and to subsidise public transport provided by others. The proposals are contained in Transport Policies and Programmes and must be consistent with the structure plans. (These powers can be used to ^{make} some areas more attractive to industry than other areas).

Operated by the County. In non-metropolitan areas, Districts may provide public transport.

d) Location of local authority offices

Powers: to locate offices in areas needing jobs.

Operated by the District and the County.

Promoting new industry and employment

a) Development Control

Powers: to withhold or grant planning permission for development and to attach conditions to the developments. This power is applied by the District unless applications are over a certain size (the size being determined by individual Counties) or they are departures from a Development Plan, when County approval is required. Should a proposal conflict with, or prejudice, a structure plan, it must be referred by the County to the Secretary of State. Industrial applications, in non-assisted areas, over 15,000 sq.ft. (or 12,000 sq.ft. in the South East) need an IDC.

b) Advertising and Promotion

Powers: to attract jobs to the area by advertising, promotions, and by offering advice to employers.

Operated by both the District and the County.

c) Provision of industrial land

Powers: to acquire (by agreement) land for sale or rent for industrial or commercial use. Disposal of such land under the Community Land Act can only be by way of lease.

Operated by the District and the County.

d) Provision of Advance Factories

Powers: to provide services to industrial land or to build or convert factories on it. Central government consent is needed.

Operated by the District and the County.

e) Financial incentives to industry

Powers: to give mortgages to firms for erecting factories on land sold or leased from the local authority.

Operated by the District and the County.

(A few local authorities have powers, under local Acts, to give extra financial assistance to firms).

Influencing the labour supply

a) Housing development

Powers: The County has some powers over housing, by its ability to make provision for housing land in the structure plan.

The District has far more powers, by proposing land for housing in the local plan, and as the housing authority through its housing policy (see below).

(Those powers can be used to influence the amount, location, and - slightly - the composition of the local labour supply).

b) Provision of private housing

Powers: Under the Community Land Act, Districts and Counties can acquire and dispose (freehold) of land for private housing. This is subject to the agreed Land Acquisition and Management Scheme.

(That power can be used to influence the amount, location, and - slightly - the composition of the local labour supply).

c) Housing policy

Powers: it is the general duty of the District, as the local housing authority, to consider the housing condition in the district and the needs of the district for further housing. Within these general powers, the District is able to provide council housing, to encourage private housing, to rehabilitate housing. Also, the District may operate a housing allocations policy for key workers; and it can offer council dwellings to the key workers of an incoming firm, in order to attract new firms. Council mortgages may be offered preferentially to certain types of workers in order (for example) to attract new firms.

(Those powers can be used to influence the amount, location, and - slightly - the composition of the local labour supply).

d) Provision of Day Nurseries

Powers: to provide day nurseries for the under 5's. (Such provision makes it easier for mothers to go out to work).

Operated by the District.

e) Provision of public transport

Powers: to provide bus transport and to subsidise fares on buses (both public and private) and on trains.

Operated by the District and the County. In metropolitan areas, operated by the County only, through a Passenger Transport Executive.

Job Creation

a) Job creation programme

Powers: to sponsor schemes under the Manpower Services Commission's Job Creation Programme. Also, to encourage local voluntary bodies and employers to undertake Job Creation Schemes.

Operated by the District and the County.

b) Public Works schemes

Powers: to employ workers, or specified types of workers, in excess of requirements, in order to reduce unemployment.

Operated by the District and the County.

c) Encouraging new employment

Powers: to encourage employers, trade unions, and others to co-operate in developing new opportunities for employment.

Operated by the District and the County.

Training

a) Apprenticeships run by the local authorities

Powers: to set up apprenticeships and take on apprentices to work within the local authority.

Operated by the District and the County.

b) Courses in Further Education and Technical Colleges

Powers: to provide training courses.

Notes:

- : we can assume that few of the courses in secondary schools are primarily for training. So the training provided by the local authority will be in its Further Education and Technical Colleges. These are operated by the District.
- : not all of the students in such colleges are receiving training for employment. Some are taking academic courses.
- : of the students in such colleges who are receiving training, some will be sponsored by the TSA, and some of those who are sponsored by firms will be on ITB-approved courses. Therefore, if you count the number of TSA courses and students, the number of ITB courses and the students on them, and the number of training courses and students in LEA colleges, you will be double-counting. Also, some of the apprentices employed by the local authority might be attending a LEA college.
- : training is provided directly by the TSA in Skill Centres, by the

LEA in its colleges, in some private colleges, and in training schools in some of the larger firms. The complications arise because the TSA as well as training directly, sponsors students and courses in LEA colleges, private colleges, and private firms (Training Opportunities Schemes); and because the ITB's, although doing no training themselves, sponsor courses for industrial students in LEA colleges and firms' training schools.

c) Adult education

Powers: to provide courses to meet the educational and leisure time interests of adults. Course participants pay an enrolment fee.

Operated by the District.

d) Adult literacy and English language training for immigrants

Powers: to put on courses in adult literacy and in English language training for immigrants.

The TSA may sponsor students on such course, but only where the training is necessary to obtain employment or vocational training.

Operated by the LEA.

Placement and advisory services

a) Careers Advisory Service

Powers: to help young people to get good training and good jobs. In more detail, the functions of the Local Authority Careers Advisory Service are:

- to give vocational guidance both long and short term to pupils and students;
- to assist them if required to obtain places in employment, training, further and higher education;
- to assist employers to recruit suitable junior staff;
- to promote careers education and vocational preparation in schools and colleges:

to review progress and in other ways to watch over the welfare of young people in employment in order to draw attention to exploitation, dangerous working and lack of training or adverse social circumstances in work;

generally to promote the personal development of all pupils and students so that they may make the best use of their aptitudes, capacities, and temperaments so as to assist them to make a full contribution both as a worker and as a human being.

The service is provided by careers teachers in schools and through separate Careers Centres. At those Centres, young people can register as unemployed and employers can notify vacancies, so the Careers Advisers can help to place people in jobs directly.

Operated by the District.

Employment Protection

a) The effects of redevelopment schemes on industry.

Powers: to acquire land compulsorily if that land is needed for redevelopment. There are general town planning powers (Town and Country Planning Act 1971, Part VI) to acquire land in order to secure the treatment of an area as a whole. Also, there are powers under other acts for acquiring land for specific uses - e.g. under Housing Acts, to acquire land for housing; under Highways Acts, to acquire land for roads; also to acquire land for open space, for education, etc. (When those powers are used to acquire land which had accommodated industry, that industry and the jobs it offers will be displaced or lost).

Operated by Counties and Districts, with the approval of the Secretary of State.

b) Administration of non-conforming uses

Powers: to require the discontinuance of use or alteration or removal of buildings or works, where it is expedient in the interests of the proper planning of the area (Town and Country Planning Act 1971 s.51).

(That power can be used to remove an industry which is a "bad neighbour", thus causing jobs to be lost.)

Operated by Districts, with the approval of the Secretary of State.

The application of those powers in Birmingham

Here we go through the list of available powers, stated above, and for each describe how it was being applied in Birmingham in Spring 1976.^x

(i) Powers operated by central government

Influencing the location of employment within the country

a) Regional Employment Premium

This is not payable to firms in Birmingham.

b) Investment Grants for Assisted Areas

These are not payable to firms in Birmingham.

c) Location Advisory Services

Firms are encouraged to move to Assisted Areas and away from Birmingham. The effects on Birmingham are not known.

d) Designation of New Towns

In Telford 25 units have been let to firms from Birmingham. More than $\frac{1}{3}$ of the units there taken by firms from the West Midlands conurbation were taken by firms from Birmingham. In Redditch, by 1974 62 firms had entered from Birmingham and the West Midlands conurbation, most in mechanical engineering and metal goods.

e) Location of Nationalised Industries

There were no examples of such industries moving into or out of Birmingham.

f) Location of Government Offices

There were no examples of such offices moving into or out of

^x Some of the powers are not applicable in Birmingham - e.g. to give Regional Employment Premiums. However, the fact that (e.g.) grants are available to firms in Assisted Areas and not to firms in Birmingham might still affect Birmingham. But it is very difficult to estimate the effects on that place.

Birmingham.

g) Industrial Development Certificates

In 1974, 34 IDC's were approved, allowing 1,278,000 sq. ft. In 1975, 47 IDC's were approved, allowing 954,000 sq. ft. In those two years, 2 IDC's were refused.

h) Office Development Permits

These are not required in Birmingham.

i) Grants for Office and Service Industries

These are not payable to firms in Birmingham.

Promoting new industry and employment

a) Selective Assistance to Firms

Norton Villiers Triumph and British Leyland have received assistance. No firms had received help under the Accelerated Investment Scheme.

b) Selective Assistance to Firms in Assisted Areas

These are not payable to firms in Birmingham.

c) Selective Assistance to Industries

There had been 6 applications for assistance from firms in Birmingham.

d) Industrial Advisory Service

There is a branch in Birmingham, but it was not possible to find how many Birmingham firms had been helped.

e) Planning Agreements

There had been none in Birmingham.

f) Provision of Factories

These are not provided by central government in Birmingham.

Influencing the labour supply

a) Employment Transfer Scheme

Birmingham had handled very few grants, as hitherto it had been an importing, not exporting, area.

b) Allocation of Tenancies in New Towns

Telford received 641 incomers from Birmingham between 1967 and 1975. Those 641 people were 11% of the total inflow: 30% of the total inflow were from the rest of the conurbation. Corresponding information was not available for Redditch.

c) Assistance to Key Workers

This is not payable to people moving to Birmingham.

Job Creation

a) Job Creation Programme

Seven projects had been agreed with Birmingham MD, to provide 140 jobs at a cost of £115,000. Eight projects had been agreed with the WMCC to employ 134 people at a cost of £108,000: some of the benefits would go to Birmingham.

b) Community Industry

This provided 52 jobs in Birmingham.

c) Recruitment Subsidy for School Leavers

800 applications had been received from Birmingham firms.

d) Youth Employment Subsidy

This had not been started nationally.

e) Work Experience Programme

This had not been started nationally.

f) Job Release Scheme

This had not been started nationally.

Training

a) Training Opportunities Schemes

The TSA supported 41 exclusive courses in Birmingham, providing 720 training places. It supported another 200-250 people on infill courses in Birmingham. And it runs two Skill Centres in Birmingham, which are expanding to provide in total 60 courses and 700 places.

b) Training Within Industry

No information was available for Birmingham.

c) Wider Opportunities Courses

There were no Work Sampler courses in Birmingham. Occupational Selection courses were provided at the two Birmingham Skill Centres. Several Basic Skills courses were provided in Birmingham LEA colleges.

d) Industrial Training Boards

Several have branches in Birmingham and many more are active there, but it was difficult to discover the sizes of their programmes.

e) Schemes to help Apprentices during the Recession

Several ITB's in Birmingham were providing awards - e.g. 223 from the Engineering ITB, 32 from the Construction ITB, 45 from the Road Transport ITB.

Placement and advisory services

a) Employment Office Services

Birmingham had 7 Employment Offices.

b) Job Centres

Birmingham had one Job Centre.

c) Occupational Guidance

There was a Birmingham Occupational Guidance Unit, which advised 2250 people in 1975.

d) Special Services for Disabled and Disadvantaged

There was a Disablement Resettlement Officer in each Employment Office, and one Industrial Rehabilitation Unit in Birmingham.

Employment Protection

a) Temporary Employment Subsidy

In Birmingham, 520 redundancies in 5 firms had been deferred.

b) Advance Notification of Redundancies

No notifications had been received in Birmingham.

(ii) Powers operated by local government

Influencing the location of employment within the county or district

a) Structure Planning

The WMCC proposed to use the Structure Plan which it was preparing in order to achieve certain employment objectives - e.g. the renewal rather than redevelopment of industrial premises in the inner areas.

b) Land Use Planning

Birmingham MD had not produced any local plans. The WMCC had started to reclaim 215 h.a. of derelict land, 10% of which will be allocated to industry.

c) Transport Planning

The WMCC had no employment objectives in its TPP.

d) Location of Local Authority Offices

Neither the County nor the District used this power for employment purposes.

Promoting new industry and employment

a) Development Control

Both the District and County considered employment consequences when determining applications.

b) Advertising and Promotion

Birmingham MD had an advertising campaign, had established an office at the National Exhibition Centre, had appointed a Commercial Officer, and kept a register of industrial sites and buildings. The WMCC had a budget of £76,000 in 1976/77 for advertising and promotion, and was compiling a register of industrial sites and buildings.

c) Provision of Industrial Land

The WMCC was providing some on reclaimed land (see above).

d) Provision of Advance Factories

Birmingham MD was building 18,000 sq. ft. in nursery units.

e) Financial Incentives to Industry

No industrial mortgages had been given.

Influencing the labour supply

a) Housing Development

Neither the District nor the County was allocating housing land with employment purposes in mind.

b) Provision of Private Housing

Land for private housing was not being supplied with employment purposes in mind.

c) Housing Policy

The District did not allocate its dwellings or provide mortgages with employment purposes in mind.

d) Provision of Day Nurseries

Birmingham MD provided 1280 places in 28 centres.

e) Provision of Public Transport

The County (through the P.T.E.) did not use transport to meet employment objectives.

Job Creation

a) Job Creation Programme

The District's and County's projects are described above, (under central government) as the projects are agreed with the central MSC.

b) Public Works Schemes

None were being undertaken in order to reduce unemployment, other than the Job Creation projects.

c) Encouraging New Employment

Both the County and the District were developing close links with employers and unions in order to encourage new employment.

Training

a) Apprenticeships run by Local Authorities

Birmingham MD took on 33 apprentices in 1976.

b) Courses in Further Education and Technical Colleges

^{Birmingham}
MD ran 760 vocational courses in its colleges, besides those supported by the ITB's. On its own courses and on ITB courses together, there were 5540 full-time students and 15,870 part-time students.

c) Adult Education

There were about 60,000 people enrolled on Adult Education courses, of whom an estimated 1500 were on vocational courses.

d) Adult literacy and English Language Training for Immigrants

Birmingham MD had organised a "Right to Read" programme and, with the TSA, ran four literacy courses for immigrants.

Placement and Advisory Services

a) Careers Advisory Service

Birmingham MD had 10 Area Careers Centres and four Careers Advisers of ethnic minority origin.

Employment Protection

a) The Effects of Redevelopment Schemes on Industry

It was the policy of Birmingham MD to retain, wherever possible, small scale industry that was labour-intensive.

b) Administration of Non-Conforming Uses

Birmingham MD had the policy of not disturbing industry about which residents had no complaints.

(iii) Conclusions

Not all of the powers that are available for influencing employment locally were being used. There are several reasons (e.g. shortage of money, use of housing powers for other purposes); but one reason is just poor planning - ignorance of the powers available and of their possibilities, and inexperience in using the powers for employment purposes.

Also, some of the powers are being used in contradictory ways. The reasons are poor co-ordination (see below) and conflicting objectives (see later).

How powers to advise industrialists are co-ordinated

Central government, the West Midlands County Council, and the Birmingham District Council all have agencies that give advice to industrialists seeking to locate or expand in Birmingham. We are interested in whether such advice might be made more effective by improved co-ordination between the agencies.

(i) Description of the agencies

At central government level are the Location Advisory Service, which is concerned with the 'assisted areas' and with advising firms in Birmingham (and elsewhere) about locations there; and the Industrial Advisory Service, which operates a Small Firms Information Centre (the amount of work done by which is small and of little importance to us here).

The most important agencies giving advice to industrialists are at the County and District levels.

The W.M.C.C., under its Employment Commerce and Industry Committee, has established an Industrial Promotion Programme. An Industrial Information Service (I.S.S.) has been set up within the Chief Executives' Department with a budget of £76,000 in 1976/77 for promotion and publicity. To offer advice, the service is compiling a register of all industrial premises in the West Midlands; it has also produced reports on the E.E.C. and on the effects of North Sea Oil on industry in Birmingham. The service claims to be able to answer most industrialists' questions with the help of the Chamber of Commerce and officers in the District Councils.

Policies for employment in the Birmingham D.C. are the responsibility of three committees - Land, Planning, and Education. To give advice to industrialists the District has an advertising and promotion campaign that includes; advertising in national newspapers and journals; appointing a Commercial Officer based in the Estates Department to give advice and assistance on planning and building regulations; establishing an office at the National Exhibition Centre; and keeping a central register in the Estates Department of available sites and buildings.

Three questions can be asked about those advising agencies:

- could there be better co-ordination between local and central government?
- could there be better co-ordination between county and district?
- could there be better co-ordination between advice-giving agencies and other departments within their own organisations?

ii) Co-ordination between local and central government

The first matter to be discussed is the noticeable concern of the District and County agencies giving advice to industrialists with the industrial location policy of the Department of Industry. Central government's policy of encouraging industry into the regions of traditionally high unemployment completely opposes the efforts of the District and County to attract and assist industry in Birmingham. The debate is continuing and involves complex economic, and sensitive political, issues. It is inappropriate to enter the debate here (but see also chapter 5), so we simply remark that this is the major area of lack of co-ordination between central and local governments and one which creates irritation within local government and friction between it and central government.

Secondly, there is the Selective Assistance to Industry Scheme, one of the few positive policies operated by the DI to assist industry in Birmingham. The scheme offers loans to selected industries to prevent 'bottlenecks' in production during the expected economic recovery. The selected industries eligible to receive assistance include ferrous foundries and machine tools, both common in Birmingham.

We found no evidence of co-ordination between this central government policy and local government agencies giving advice to industrialists. The local government agencies should at least be made aware of the assistance available. Local government could in addition try to discover and contact firms that are eligible for assistance, rather than waiting for industrialists to take the initiative. Local government could know which firms are receiving assistance in order to see if the local authorities could supplement that assistance by trying to ensure that adequate sites and buildings and the right kind of skilled labour were available.

Thirdly, the Training Services Agency

is the most important central government agency concerned with training courses in Birmingham. Skilled labour has always been important in the Midlands and it is likely that industrialists might seek advice about training courses and skilled labour. What co-ordination is there between the TSA and the local government agencies giving advice to industrialists?

There was no evidence of contact between the WMCC Industrial Information Service and the TSA. The IIS had no information about training programmes. Similarly, the Estates Department in the District Council did

not know about training programmes, and its only contact with the TSA was in referring industrialists there when necessary.

Could better co-ordination on this aspect service any purpose? It might be useful to the TSA that the County and the District know of its work; for example, the County and the District could, through their advice-giving agencies, warn the TSA of a growing or forthcoming demand for a particular skill. Similarly, the local government agencies could advertise the work of the TSA to industrialists who come for advice. For example, the TSA Skill Centres in Birmingham are encouraging industrialists to sponsor trainees, in a scheme whereby the industrialists can determine directly the type of skill and training their employees receive: the Skill Centres want the scheme to expand, and one way of advertising it is through the local government agencies that deal with industrialists.

(iii) Co-ordination between County and District

Advertising and Promotion. The County has a budget of £76,000 for advertising and promotion and its aim is to retain local industry and attract national and international industry to the region. The District also has an advertising campaign in national newspapers and journals to attract companies and investors to Birmingham.

No evidence was found of co-operation or co-ordination between the District and the County in this work. Whilst there are obviously some conflicting aims between the County and the District, there are also areas of agreement where co-operation could be useful. A co-ordinated campaign is likely to reach employers more effectively.

Register of Sites and Buildings. Both the County and the District have registers of available buildings and sites for industrial use. The authorities co-operate in compiling those registers: the District compiles its own register and passes the information to the County for its central register. Industrialists seeking advice at the County about sites are passed to the District Estates Office if a suitable site exists in Birmingham.

Preferred Locations Policy. The County as a part of its planning/employment policy operates a preferred locations policy which is concerned with improving employment opportunities in deprived areas (the inner areas of the city of Birmingham, and of the other cities of the County). One of the main objectives of the policy is to steer industrialists to the preferred locations. However, there was no evidence to suggest any co-operation or co-ordination between the County and the District on this policy: the Commercial Officer in the Estates Department of the District was unaware of the preferred locations policy.

Training. Just as the County should be aware of central government training schemes, so also it should know about the District's training programmes. Such knowledge would improve the advice given to industrialists by the County: also the County would be able to inform the LEA about new or changing demands for particular skills.

(iv) Co-ordination within the County and within the District

Co-ordination between departments within the WMCC about the services advising industrialists was found to be good. Although the County does not have wide responsibilities for employment, its policies are well co-ordinated. The Industrial Information Service was aware of the work of

the other departments, particularly the intelligence and research unit. Such co-ordination may be attributed to the relatively limited nature of the WMCC's responsibilities, but also to organising employment policies within one committee.

Co-ordination between departments within the District can be looked at in two parts.

Estates Department and Planning Department. The Estates Department recommends sites and building to industrialists. If a site is suitable, can the industrialist obtain planning permission easily? We did not find any problem of co-ordination on this aspect. The Estates Department advises on building regulations and planning procedures and there was no evidence of conflict between the two departments.

Estates Department and Education Department. In the same way that there is a need for the Estates Department to co-operate with the TSA, so there is a need for it to co-operate with the District Education Department. Industrialists coming to the Estates Department for advice about buildings and sites could provide information about manpower requirements that would be useful to the Education Department in its decisions about training programmes. We found no evidence of that type of co-operation between the two departments.

(v) Conclusion

The giving of advice to industrialists could be a useful part of local economic planning to achieve employment objectives. In Birmingham, however, that possibility is poorly used partly because the advice-giving agencies are competing with each other in some respects (see later), and partly because the advice-giving agencies are just poorly organised.

This aspect of local economic planning is relatively new to them.

How powers to provide training are co-ordinated

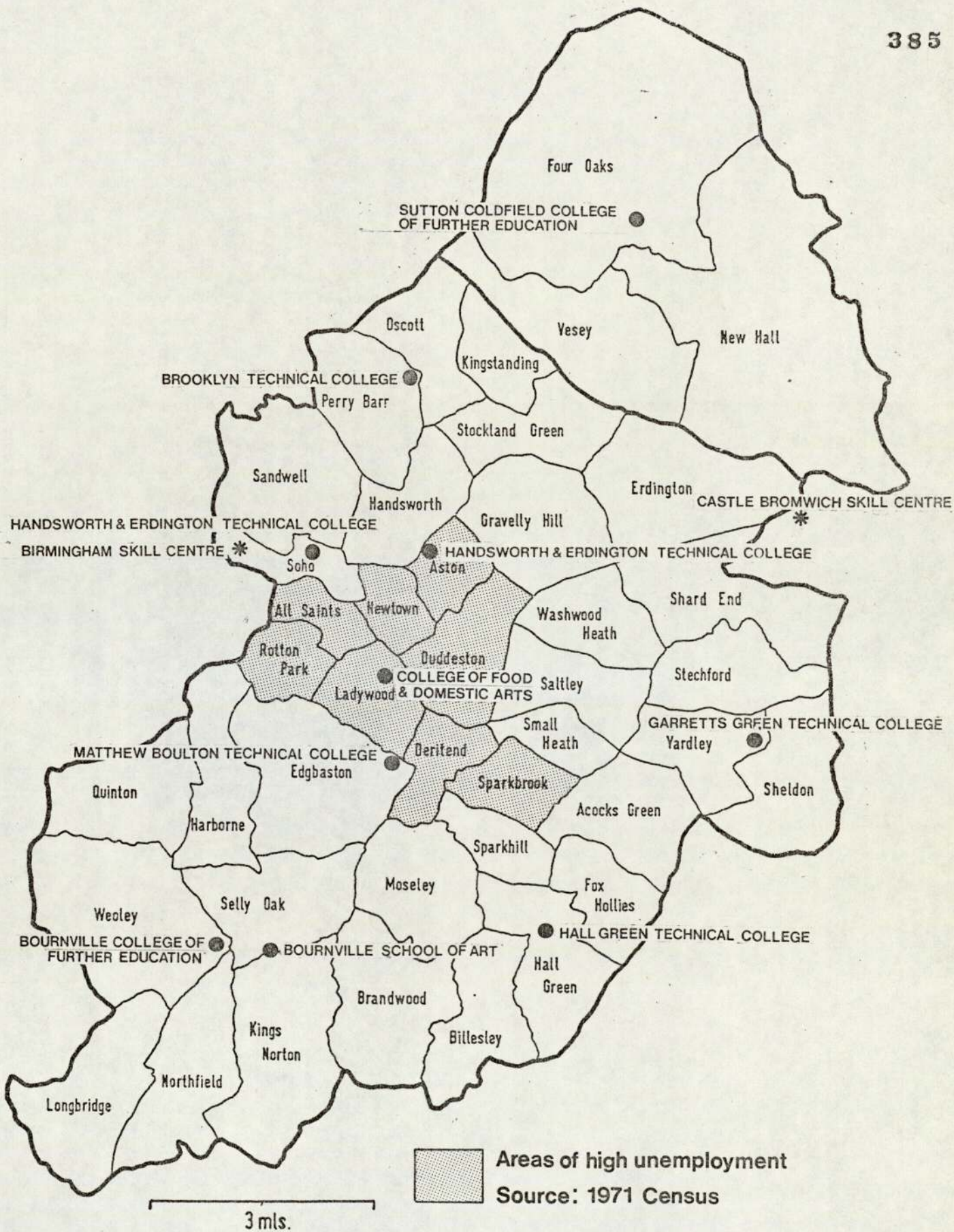
Here we investigate the co-ordination between the three main training agencies - Birmingham District (the LEA), the TSA, and the ITB's, (see map 10.1 for the location of training centres).

(i) Co-ordination by the LEA of its own training colleges

We found that the LEA did very little to co-ordinate the training courses put on at its own Technical Colleges and Colleges of Further Education. It stated that those courses were not designed so as to fill important gaps or to avoid duplicating other courses. The LEA Colleges simply put on their own courses, and also they provide additional courses at the request of the TSA and ITB's. Indeed, the LEA does not keep any central record of the numbers of training places provided for young people in its colleges, nor of the courses available. Apparently this information can be gathered only by contacting each college separately.

(ii) Co-ordination between LEA training colleges, the TSA, and the ITB's

The poor co-ordination by the LEA of its own training colleges can be explained partly by the overlapping influences and interests with which the colleges must cope; for decisions about college courses are made by the LEA, by industrial sponsors of courses, by the TSA, and by college governors and advisors. We described above how ITB's and the TSA sponsor and subsidise training courses in LEA colleges: one of the consequences is that the LEA feels that it is not in control of its colleges, and that it treats ITB's and the TSA more as powerful customers calling the tune than as complementary agencies to be worked with.



Birmingham Metropolitan District
Location of employment problems and training colleges

Map 10.1

That consequences is not confined to Birmingham. At the 1976 conference of the National Association of Teachers in Further and Higher Education, delegates complained that the TSA is now in a position to try to dictate terms about courses and students in LEA colleges, because TSA finance is currently so important to such colleges. The conference urged the DES to co-ordinate all training programmes (Guardian, 1st June 1976).

(iii) Co-ordination by the Local Authority Careers Advisory Service In Birmingham, we found that another branch of the LEA, the Careers Advisory Service (LACAS), has taken on the job of co-ordinating training for young people. The LACAS has seen that as necessary because of the high rise in unemployment of young people. Now, co-ordination between the LACAS and the TSA, ITB's, and private industry has increased to a previously unknown level. As industry provides fewer vacancies for young people both in jobs and training, the LACAS has seen it becoming increasingly necessary to rely on well funded bodies, such as TSA and ITB's, to organise training schemes.

Various training schemes have been started recently in co-ordination with the TSA and ITB's:

- Basic Skill Courses. Financed by TSA and on LEA premises. These courses are of 6-13 weeks duration and help young people to familiarise themselves with basic skills in various occupational areas.
- Work Experience Courses. A form of basic skill course, though not specialising in any one skill. It is used by those without a particular occupation in mind. Again, it is financed by TSA with LACAS providing very basic equipment.
- Award Schemes. Financed by ITB's (particularly the Engineering ITB

in the Birmingham area). Three hundred award schemes this year and hopefully more in the coming year. Also, ITB's are planning to provide greater financial incentives for employers to take on trainees after the first year of training.

(iv) Recruiting for Work Experience Courses

In spite of that co-ordinating role played by the LACAS, there are still difficulties with one of those training schemes. There are three agencies involved in recruiting for the Work Experience Course - the LACAS, Matthew Boulton T.C. which provides the course, and the TSA which finances it - and each has a different set of criteria.

The LACAS has the first responsibility of deciding whether a young person would be likely to benefit from the course. The aim of the LACAS is to find young people suitable employment after leaving school. It prefers young people to sample the job market for a period before recommending them for a course such as the one at Matthew Boulton T.C. Consequently the course is used as a last resort by the LACAS, when it is unable to place these young people. As a result those with the worst employment problems are likely to be placed on the course. It is not clear what the LACAS believes are the 'right' people for the course.

The TSA provides funds for the course and as a result has some control over selection of trainees. The trainees must therefore be considered eligible by the TSA; they must be within the age range 16-18½ years, and must have had no previous work experience.

Matthew Boulton T.C. however looks at personal characteristics such as willingness by the trainees to be helped, smart appearance, willingness

to work hard, and respect for employers. This difference in selection criteria often results in loss of applicants before they start the course. For example, the TSA will not accept people who, in the two years since they left school, have had a couple of weeks at a job; but Matthew Boulton would call this person unemployed and believe he was suitable for the course.

(v) Conclusion

The provision of training courses in Birmingham displays many examples of poor co-ordination, which appear to be dissipating the energies of the teachers. And, indeed, much of the poor co-ordination can be attributed to poor administration by training organisations which have suddenly been put under pressure: the rapid rise of unemployment has increased the load on the agencies, and the expectations which people have of them.

In addition, however, some of the poor co-ordination can be interpreted differently, as the result of different training agencies holding different objectives. To that subject we now turn.

Conflicts between central and local government

We have now investigated three aspects of the application of local economic planning to tackle employment problems in Birmingham - how widely and thoroughly the available powers are used, how industrialists are advised, and how training is provided. And in each application we found instances where the local economic powers were not being used as effectively as possible to reduce local employment problems. Part of the reason was inexperience in this type of local economic planning; but another part was that often central and local governments were applying the local economic powers with conflicting objectives.

The conflict in two of the three applications is between central government wanting to steer firms from Birmingham to the Assisted Areas, and local government in Birmingham wanting to retain and attract firms. That conflict has been much discussed by others, we have discussed it in chapter 5, so we will discuss it no further here.

In the third application - the provision of training - the conflict is less well known so we shall discuss it briefly. In the study for the Comprehensive Community Programme we asked two questions about vocational training:

- what types of people have the best access to vocational training?
- what are the aims of those who provide and administer training courses?

After our investigations we answered those questions as:

- those already in employment and those with good academic qualifications find it easier to enter training courses,
- most places on training courses are provided and administered in order to supply industry with trained manpower.

Those answers suggest that training in Birmingham is being organised to meet national objectives, not to meet local objectives of alleviating the worst employment problems of local people. To do the latter, training in Birmingham (or some of the training in Birmingham) should be organised so as to achieve the following aims:

- to offer training to those school leavers who are vulnerable to unemployment,
- to offer training to those in unskilled employment, and
- to offer training to all who want it and who have the prospect of a job.

In that conflict of training objectives, central government has won for two reasons. One is that local government is still inexperienced in applying local economic powers. The other, and more important, reason is that central government is the stronger: in particular, we have seen that, as the provider of most of the training funds, it can dominate the provision and administration of training courses. That illustrates how important is the organisation of local economic planning in cases (and such cases may be numerous - see chapters 5 and 7) where central and local governments have conflicting objectives.

Chapter 11

THE STATE OF DEVELOPMENT OF THE IDEA

The purpose of this report has been to explore an idea about urban policy, the idea of local economic planning being applied to alleviate urban problems, the idea of economic planning for cities. The reason I have been exploring the idea is that I find it valuable: it casts a new light on the theory and practice of urban planning.

The exploration has taken the following route. We started by defining and describing carefully the idea of local economic planning (chapter 2), then we investigated its possible uses (chapter 3) and its probable usefulness (chapter 4). Chapter 5 examined its weaknesses and limitations. Then we explored three avenues along which we would have to travel if it were decided to practise local economic planning more widely. Theories in local economic planning were explored in chapter 6: what practice could the theories support? The second avenue led us into organisational issues (chapter 7): should local economic planning be a central or local responsibility, and how should it be organised within local government? That led in to the third avenue, the question of powers, the extra powers necessary for wider local economic planning, and how the powers should be created (chapter 8). And there we stopped exploring new territory, and retraced our steps to illustrate some of our earlier discoveries with two case studies (chapters 9 and 10).

Was the exploration worth undertaking? I would say so, because I have found the idea of local economic planning valuable. It has helped us to look afresh at some aspects of the theory of urban planning, mainly the relationships between ends and means, theory and practice, organisations and powers, local and national affairs. And the idea has helped us to look afresh at the practice of urban planning. That we have done by

developing the idea of local economic planning in order to investigate its possible contribution to such practice, and the limitations on that contribution. It is along practical lines that we now describe the state to which we have developed the previously underdeveloped idea.

My reason for summarising in a practical way the results of our exploration has to do with my motivation for undertaking the exploration, which was the growing conviction that the practice of local economic planning should be extended. That, however, we have not made our thesis: rather, we have tried to develop the idea of local economic planning, so that others can decide whether it should be used more widely and, if so, how. Nevertheless, my motivation shapes this summary, for we have re-ordered the findings and conclusions of the preceding chapters in such a way as to present the arguments for and against extending the practice of local economic planning. Then we state a set of conditions for the practice of local economic planning such that, if the extension of such practice were constrained within the conditions, the arguments against such an extension would be weakened or negated.[⌘]

[⌘] Much of our exploration has been into the limitations of local economic planning. If such planning were practised outside its limitations, it would generate evidence to support the arguments against extending the practice. Hence our findings about the limitations of local economic planning have been incorporated into the conditions which any extension of such planning should meet.

The arguments for extending the practice of local economic planning

The arguments can be summarised as follows.

- i) Local economic planning would be an effective way of tackling some urban problems.

This argument was developed in chapter 3 where we showed that, by changing local economic variables, we could expect to be able to change certain local conditions which could be causing local problems. In particular we could expect to be able to change conditions of local employment, but also conditions of the physical environment and social conditions. Moreover we showed that, where a local problem could be tackled by several different types of planning (e.g. both physical and economic), local economic planning might be the best way, being most effective, efficient, and involving the least undesirable use of governmental powers.

- ii) Other types of local planning which are currently practised widely are limited in their effects, and some of the undesirable limitations could be removed or reduced by supplementing current local planning with more local economic planning.

This argument was developed in chapter 4. There we showed, first, that local physical planning was inherently limited in what it could achieve, and we showed that recent experiments in using existing types of planning in new combinations had not noticeably broken out of such limitations. Then we showed that the effectiveness of urban policy would probably be increased by increasing the variety of public policy instruments (e.g. with local economic planning); and we saw how some local authorities had acted accordingly, by using their existing powers in new ways, and by promoting

local Acts to give themselves local economic powers.

Those are not arguments that local economic planning is a panacea: rather, they are arguments that it would be useful to practise it more widely.

The arguments against extending the practice of local economic planning

There are several arguments, some of them overlapping, and many based on the liberal premise that it is inherently undesirable to extend governmental powers and government intervention. I accept that premise, so treat the arguments seriously.

i) The desirable effects of local economic planning could be achieved by the appropriate use of existing powers and types of planning, with no unacceptable side-effects: it is therefore, not necessary to extend the practice of local economic planning.

Presumably the argument is for better local physical planning, better national economic planning, better co-ordination of local measures. We have examined crucial parts of that argument already, and have found existing powers and types of planning to be limited in certain ways. All we can say here is that the argument is not proven.

ii) The benefits from local economic planning are not worth the costs.

In such a general form, this argument cannot be tested. There is no reason why the private and social benefit:cost relationships should be more or less advantageous for local economic planning in general than for local physical or social planning in general. At the general level we can talk only about the political implications of different types of planning: the implications for private and social costs and returns can be discussed only for particular proposals.[≠]

[≠] As we said in chapter 1, evaluating local economic planning would demand much of the theory of welfare economics.

iii) There is enough, or too much, planning already: indeed, some urban problems are caused by too much governmental intervention.

This argument was examined and rejected in chapter 5.

iv) Adjusting welfare state legislation will not solve problems which have structural causes.

This argument was examined and rejected in chapter 5.

v) Electors, public opinion, etc. would not accept any more public powers or public planning, operated by any level of government: that is, the extension of local economic planning would not be politically acceptable generally.

It is difficult to know how important this argument is, because we do not know the strength of public opinion. Nevertheless we can meet the argument, as long as it is not overwhelmingly strong, by restricting local economic planning within the following conditions:

- it should be used to tackle urgent and topical problems of great public concern
- extensions of local economic planning should be incremental and cautious
- local economic planning should, initially at least, be used to tackle those problems on which it is likely to act most directly and effectively.

vi) Electors, public opinion, etc. would not accept any more public powers or public planning operated by central government, because distrust of the concentration of powers in central government already is so great.

This argument can be met by the following condition:

- extensions of local economic planning should be operated by local government.

vii) Electors, public opinion, etc. would not accept any more public powers or public planning operated by local government, because they have little faith in the competence of local government, and would not accept any more local taxation.

This argument can be met by the following conditions:

- local decisions about economic measures should be subject to central government checks
- local economic measures should be cautious and incremental (so as not to cost much), or
- local economic measures should be used as cheaper alternatives to other measures, or
- local economic measures should be financed by central government.

viii) Central government would not accept any more powers being given to or used by local government, because central government does not want the effects of its national policies on local areas to be weakened.

This argument can be met by the following conditions:

- local decisions about economic measures should be subject to central government checks, in specified circumstances
- local economic measures should not be used to jeopardise national policies
- central government, when passing the necessary legislation for extensions of local economic planning, should stipulate the controls and restrictions it wishes to apply to local government.

ix) Too little is known about the workings of local economies for responsible and reliable local economic planning.

This argument can be met by the following conditions:

- local economic measures should be applied only in certain conditions, until economic theories are improved
- within those certain conditions, local economic measures should be applied in such a way as to advance our knowledge of the relevant theories.

x) Local areas are already subject to many types of planning, by both central and local governments, and any extension of local economic planning would be too difficult to co-ordinate.

This argument can be met by the following conditions:

- local economic measures should be operated by local government, but checked by central government
- within local government, the use of economic measures should be integrated with other types of planning.

xi) The country cannot afford the cost of any further planning, local economic planning or otherwise: the cost is in terms of both public finance and national resources.

This argument can be met by the following conditions:

- local economic measures should be cautious and incremental (so as not to cost much, in money or resources), or
- local economic measures should be used as cheaper alternatives to other measures.

It can be seen that the arguments against extending the practice of local economic planning would be weakened if the practice were restricted within certain conditions. So, if it were decided to extend the practice of local economic planning, that extension should be within those

conditions. We now go on, therefore, to reformulate the conditions into a consistent set, and to amplify them. The result is a set of guidelines which should direct the practice of local economic planning.

Guidelines for the practice of local economic planning

Local economic planning should follow the guidelines set out below, especially during the early years of such planning when experience about its use was being gathered.

i) Central government/local government relationships

Any significant extension of local economic planning would require new legislation passed by central government and new procedures laid down by central government.

i.i) The new legislation should be a new public Act giving permissive powers to all local authorities to enable them to apply certain economic measures in certain conditions. The conditions should include the circumstances in which local decisions on economic measures would have to be submitted for approval to central government.

The procedures accompanying the legislation would be for that central checking of local decisions, and should meet the following requirements:

- the circumstances in which local decisions have to be submitted for central checking should be clear and unambiguous
- the standards against which central government tests the local decisions should be specified and specific
- the method of testing should be open (so that a local authority has a good chance of predicting the outcome)
- the central decision should be justified and reported openly
- the whole central checking procedure should be quickly completed.

The procedures should cover also the method of financing local economic measures. The method should depend on the measures: in general, local economic measures undertaken for allocation should be financed locally,

measures undertaken for income redistribution and economic stabilisation should be financed centrally.

i.ii) The necessity of obtaining central government approval for local decisions about economic measures suggests that certain local measures should not be proposed, because they would not be approved. Those would be local measures which jeopardise national policies. The measures which should not be proposed, or which should be proposed only with great care, are:

- economic measures which would have significant and undesirable geographical external effects
- economic measures which would be inconsistent with national macro-economic policy
- economic measures which would be inconsistent with other national policies
- economic measures which would increase significantly inequalities between persons and areas.

ii) Organisation within local government

The organisation and administration of local economic planning within local government should be as follows.

ii.i) Responsibility for local economic planning should be divided between counties and districts on the following principle: counties should be responsible for economic measures likely to cause important spillover effects, districts for other economic measures.

ii.ii) Within a county or a district, responsibility for administering local economic powers should be organised as follows. The powers could be grouped together and exercised by a new department with the function

of economic planning. Or the powers could be dispersed between existing departments, either function or purpose departments. Which organisation should be chosen should depend on the extra economic powers created for local authorities and on the existing departmental structures. The powers should not be grouped together and exercised by a new purpose department.

ii.iii) The use of economic powers should be integrated with the use of other powers within a local authority, so that local problems are tackled by integrated planning. Such integrated planning will not be achieved just by the careful allocation to local authority departments of responsibility for local economic planning: to achieve integrated planning requires the careful organisation of the whole of a local authority's functions and responsibilities.

iii) Working within the relevant economic theory

The practice of local economic planning should be restricted to that which can be supported by the current state of theories in local economic planning.

iii.i) Until the relevant economic theories are improved, local economic measures should not be applied in the following situations:

- in order to achieve ends in a location different from that in which the measures had been applied
- in cases where the experience and theory that were available suggested that the measures applied in one location would have significant side-effects in other locations
- if the measures were such as to cause changes in the urban economy big enough to cause significant changes in the outside economy
- solely for long term advantages (because predictions cannot be made reliably for more than, say, 5 years).

Local economic measures should be applied only with great care in the following situations:

- where the economy was poorly developed and integrated
- where there was full employment of productive capacity
- where there were big changes in the outside economy sufficient to change its structural relationships with the local economy.

iii.ii) The applications of local economic measures should be such as would test and develop the relevant theories in local economic planning.

To do that, the local economic planner should follow the advice of Popper (1961, p.67) and take a piecemeal approach. "The piecemeal engineer knows, like Socrates, how little he knows. He knows that we can learn only from our mistakes. Accordingly, he will make his way, step by step, carefully comparing the results expected with the results achieved, and always on the look-out for the unavoidable unwanted consequences of any reform; and he will avoid undertaking reforms of a complexity and scope which make it impossible for him to disentangle causes and effects, and to know what he is really doing."

iv) Conditions to gain public acceptance

In order to gain public acceptance to extending the practice of local economic planning, such extensions should be applied for the following purposes.

iv.i) The applications, and any new legislation necessary for such applications, should be a response to topical and urgent urban problems which are not being adequately tackled by the use of other types of planning.[≡]

[≡] Keynes (1951) gave good advice to economists: "Economists must leave to Adam Smith alone the glory of the Quarto, must pluck the day, fling pamphlets into the wind, write always sub specie temporis ..."

iv.ii) The applications of local economic measures should, at least initially, be to reduce problems in policy areas on which we have good reason to expect economic powers to act most directly and effectively.

Theory leads us to expect that local economic planning would have the most direct effect on local employment conditions, a less direct effect on the local physical environment, and the least direct effect on local social conditions.

iv.iii) Some of the applications of local economic measures should be as an alternative to other, current, ways of pursuing the same goal, so that the costs of the alternative means to the same end could be compared.

iv.iv) The applications should be cautious extensions of local economic planning, so that urban policy changed incrementally, not radically.

The implications for the practice of local economic planning

If it were decided to extend the practice of local economic planning, and if that extension followed the guidelines laid down above, what type of practice would result?

The implications of the guidelines are a modest extension and a careful growth of local economic planning. That should not dismay us, for it would allow a solid foundation of theory and experience to be built. Andrews (1963,b) came to the same conclusions when he wrote, "It is not, of course, anticipated that small area economic planning would emerge in the short run as a mature, fully conceived operation. Practical considerations of public and industry understanding and co-operation (i.e. political acceptability - DEM), as well as limitations of technical know-how (i.e. theory - DEM) will delay the early design and implementation of more positivist (i.e. positive) forms of economic planning and adjustment." Instead, said Andrews, we should start with, "... the design of preliminary public and private programmes of action that would enable the area to meet (economic) change with a minimum of social and economic dislocation and loss."

We illustrate that conclusion in the next chapter by describing four new economic powers for local authorities, new powers which would enable local economic planning to be extended within the confines suggested by the guidelines above.

Chapter 12

SOME POSSIBLE EXTENSIONS OF LOCAL ECONOMIC POWERS

The purpose of this chapter is to illustrate the conclusions of the previous chapter. That summarised the arguments in all the preceding chapters, and drew the arguments together in order to formulate guidelines which any extension of local economic planning should follow, if such an extension were though desirable. Chapter 8 argued that any significant extension of local economic planning would require new public Acts of Parliament; so the guidelines which any such extension should follow contain implications for the new legislation that would be required. In this chapter, we illustrate those implications by describing four Acts of Parliament which would create extra powers for local economic planning within the guidelines.

It must be emphasised that the new Acts described are suggested for purposes of illustration only.

New local powers to reduce local unemployment

i) The new powers

We describe new economic powers which could be used by local authorities to reduce unemployment in their areas. Local concentrations of unemployment, especially in cities and parts of cities, are causing great concern (many expressions of which have already been reported in this report): so the suggestions meet the requirement that the extra local economic planning should be a topical response. The new powers could be used to tackle other problems besides unemployment (examples are given below), but initially would be applied to just the one problem, while that remained serious and while the limits of the new powers were being discovered.

There is already an ad hoc collection of powers available for tackling local unemployment (see chapter 10), and the new powers described are intended as an addition to that collection, as an extension of existing powers rather than their replacement by radically new measures. Radically new powers (such as local income tax operated as other than a revenue source) have not been suggested, nor have minor adjustments to existing powers (such as allowing the London boroughs to advertise the industrial advantages of their areas) which would be likely to have only marginal effects. So the suggestions meet the requirements that the extra local economic planning should work just within the limits of our knowledge and experience of local economies, and should be an evolutionary development of existing urban policy.

The new powers are:

- to undertake compensatory public works
- to stockpile locally produced goods
- to produce any good or service
- to take equity shareholdings in local firms.

Each new power is described under the following headings:

- the general purpose of the legislation
- the general content of that legislation
- where within local authorities' structures would lie the responsibility for operating the legislation
- the procedures by which central government would check local authorities' uses of their new powers
- the financial arrangements for operating the new powers

ii) Employment policies and programmes

For each of the new powers we shall describe the ways in which it would be used, including the procedures by which central government would check local authorities' uses of the powers. In each case, that checking procedure includes the production of a new type of planning document, which does not require new legislation, only a request by central government.

Central government would require local authorities to produce annual Employment Policies and Programmes.[⌘] An EPP would describe the employment programmes in the area, and how they had changed in the last year (Needham, 1977b, describes how to carry out such a study). It would then describe the employment programmes that had been implemented in the past year, what they had cost, and how successful they had been (again, see Needham, 1977b, for guidelines). Finally, it would state the employment programmes to be implemented in the next 5 years, and cost the proposals

[⌘] EPP's: the idea is derived from the Transport Policies and Programmes which counties are currently required to produce, and from the suggestion that local authorities should produce annual Housing Policies and Programmes - Cullingworth, see "Planning" 23rd July 1976, and Bridges 1975. Nor would an EPP be too dissimilar from a Community Land Act LAMS.

for the first year. Some of the cost would be met by central government[⌘]: the EPP would indicate how the cost of the programmes would be shared. All applications of the four new powers would, of course, be included in the EPP.

Employment policies and programmes would be the responsibility of Counties: that is because employment problems and measures to tackle them should be considered within labour market areas (see chapter 9), which usually spread beyond administrative Districts. Nevertheless, the mobility of workers should not be exaggerated (especially the distances which poorer workers can travel), so employment problems in one part of the County might not be eased by programmes in another part. As a result, the EPP's would describe both the problems and the programmes by Districts. A County would be able to do that better if it produced its EEP in collaboration with the constituent Districts.

Each County would have to decide where to place the responsibility for its EPP. There might be an existing committee with responsibility for employment, or responsibility could go to (e.g.) the Planning Committee, or a new committee could be established. Arrangements would also have to be made to service the new responsibility through one or more departments.

The EPP would be sent to central government for approval. Under the existing arrangements, it is difficult to know which Department of State should be responsible. The Department of Employment has responsibility nationally for such matters, but has no tradition of, nor machinery for,

[⌘] as the measures are being used for economic stabilisation - see chapters 5 and 11.

dealing with local governments. The Department of the Environment has the responsibility for and experience of dealing with local governments but it has not the expertise on employment matters which the DE has. If the DOE were to take the responsibility for EPP's and acquire the necessary expertise, arrangements for co-operating with the DE would have to be carefully and tactfully made.

Compensatory public works

i) General purpose of the legislation

A new public Act to make available government grants and loans to local authorities which undertake public works in order to employ some of their unemployed residents.

ii) General content of the legislation

- for approved schemes, the grant could vary between 50% and 100% of the cost, and loans would automatically be available for the rest of the cost
- schemes would only be approved when the unemployment rate of the local residents exceeded a specified amount
- the people employed on the approved schemes must have been resident in the area for the last year
- the nationally negotiated rates for the job must be paid
- schemes could be approved for carrying out any activity (producing goods or services) for which the local authority was already responsible.

iii) Responsibility within local government

Because people can travel quite long distances to work (thus producing spillover effects), the responsibility would be held by Counties not Districts. But Districts could implement some of the approved schemes, under an agency agreement.

The EPP Committee of the County would produce the proposals (after discussions with the other committees in the County and with the Districts), and negotiate the grants and loans. The schemes would be implemented by the committees normally responsible - e.g. extra social work by the Social Services Committee, environmental improvements by the Planning Committee.

iv) Central government procedures

Every year the County would submit to central government its EPP, which might contain activities undertaken mainly to reduce unemployment but for which loans or grants were not being sought. If local unemployment was above the specified minimum, the EPP could contain also proposals and costings for compensatory public works for which central assistance was being requested. Central government would decide which of those schemes to approve and how much grant to give to the approved schemes. (It would, of course, be possible for the local authority still to implement the proposals not approved, but paying the full cost itself and negotiating loans through the usual channels.) Because local labour conditions can change rapidly, the central government checking should be quick, and it would be possible in exceptional circumstances for local authorities to submit further proposals during the year.

v) Financial arrangements

The cost of approved schemes would be shared between central and local governments. Central government would have two national budgets, one out of which to pay local grants and the other from which local authorities could borrow (at normal rates) for their costs. Approval of the schemes would automatically give access to that public loan fund: additional loan sanction would not be needed.

Central government could then control local expenditure on approved compensatory public works according to national economic policies. (It is expected that local expenditure on non-approved schemes would be low.) At times of high unemployment and a national willingness to spend money to reduce it, central government would allocate a big budget and

local government would be sharing in that national policy. At times of high unemployment and restraint on public expenditure (times like the present), central government would allocate a smaller budget and could direct it to special areas (e.g. inner city areas with high unemployment).

vi) Other comments

- local authorities can already undertake compensatory public works at their own expense, by carrying out their normal functions to higher than normal standards in order to employ people otherwise unemployed (although they might be limited in so doing by fear of the auditor). That possibility would continue
- the current Job Creation Schemes, financed centrally but initiated and implemented locally, would be absorbed into this programme
- compensatory public works have in the past usually been large construction projects (e.g. the Mersey Tunnel). Such projects, however, often take many years to start, and nowadays employ a few skilled men and much expensive machinery. The response would be quicker and would employ more people if the works were to provide services (e.g. clerical, maintenance, cleaning, supervising) rather than new constructions. Improving old housing would be particularly suitable: it is useful, labour-intensive, and the workers could be taught building skills
- although the main aim of compensatory public works would be to reduce unemployment, the local authority could use them for other purposes by carefully choosing the extra work to be done (such as improving housing).

Stockpiling locally produced goods

i) General purpose of the legislation

A new public Act to enable local authorities to buy, stockpile, and resell goods produced within their areas.

ii) General content of the legislation

- the power could be used only when demand for the products of a firm had declined so much as to endanger significantly employment in that firm
- the power could be used only when the demand was expected to increase again within a specified period, so that the goods could be resold
- the power could be used to buy only those products of which a large and specified proportion of the value-added had been contributed by the workers in a local factory
- there must be a justifiable expectation that the revenue from reselling would cover the purchase and handling costs (but not the interest on those costs)
- the full cost of the interest on the costs would be paid by central government.

iii) Responsibility within local government

The responsibility would be held by Counties, because a factory thus kept open might employ people from more than one District and because the expertise required would be beyond most Districts. Districts could, however, take deserving cases to the notice of the Counties.

Within a County, the responsibility should be handled jointly by the EPP Committee and the Finance Committee. Industrial and banking advice must be available about the future demand for the products.

iv) Central government procedures

Proposals to spend less than a specified amount stockpiling the products of one firm could be made without central approval, as long as the local authority was within its budget allocation (see below). Other proposals would require central approval. All proposals would be contained within the annual EPP's, but because local decisions on stockpiling might have to be made quickly, ad hoc proposals requiring approval could be made to central government throughout the year.

Central government would want to take independent commercial advice before giving approval. An approval would automatically commit central government to paying the interest charges.

v) Financial arrangements

Central government would allow each local authority to borrow up to a maximum sum to finance stockpiling. That money could be borrowed, publicly or privately, without having to obtain loan sanction, but no local authority could have a greater value of goods stockpiled than its allocation. All interest charges would be paid by central government (as part of its counter-cyclical policy).

vi) Other comments

- this scheme would be an extension of the current central government scheme to finance the stockpiling of steel against expected future demand when the economy expands again
- local government could use this scheme for purposes additional to saving jobs. It could enter into informal planning agreements (see appendix B to chapter 8) with the firms thus helped, whereby the firms agreed to a social contribution (i.e. making environmental improvements, training more workers) when their fortunes recovered and the stockpiled goods were resold.

Producing any good or service

i) General purpose of the legislation

A new public Act to allow local authorities to produce within their areas any good or service under certain conditions.

ii) General content of the legislation

- the power could be used only when the absence locally of a satisfactory good or service was causing the decline or hindering the growth of local firms, public or private
- the power could not be used to produce goods or services already produced by statutory undertakers or nationalised industries
- production must be by organisations with accounts separate from those of the local authority, and those accounts must be audited normally
- the production must receive no subsidies, overt or covert, other than those available to private firms
- a local authority must not try to prevent a private producer from setting up in competition with its municipal production
- any substantial complaint against the municipal producer would be investigated independently.

iii) Responsibility within local government

Most goods and services can be transported short distances, so it would be undesirable to have adjacent Districts competing against each other with their municipal firms. So the responsibility would be with Counties. However, Districts would be able to suggest municipal enterprises to the Counties, and to run them as agents.

Proposals for municipal firms would be made by a County's EPP Committee, but the firms would be run by autonomous boards with majorities of the County Councils' nominees.

iv) Central government procedures

Proposals for municipal firms would have to be included in EPP's. Central government would then set up a small local enquiry into each proposal in order to investigate the need locally for the good or service. If the need was established, central government would grant permission for the firm, set its terms of reference, and give loan sanction for a specified sum.

Substantial complaints against the municipal firm would be investigated independently, and serious breaches of the regulations or serious failures to provide a satisfactory service would be reported to central government, which could then take away the permission to operate the firm.

v) Financial arrangements

Central government permission to operate a municipal firm would automatically grant loan sanction to borrow up to a specified sum to establish the firm. The loan would have to be arranged through the usual channels. The firm would have to be self-supporting.

vi) Other comments

- at present, local authorities can only supply goods and services when that is incidental to performing their statutory functions. The power proposed here would lift that restraint

- most goods can be transported easily and cheaply over large distances. It is unlikely, therefore, that a good would be unobtainable locally. So we would expect this power to be used mainly to provide services, which cannot be transported - e.g. hotel services, performing certain industrial processes, selling professional advice to industrialists, providing a conference or exhibition centre, providing computing facilities

- the West Midlands County Council Bill 1975 sought a similar power to be able to produce any good or service, but did not specify any conditions under which the power would be used so as to guard against abuses .
- this power would be used mainly for the general economic development of an area, but it could if applied skillfully be used to influence the industrial structure of the area, with effects on its social as well as economic character .
- note that we are not suggesting that a local authority would be able to establish a local monopoly in the production of a good or service. (Mill, in the last chapter of his "Principles", distinguishes between authoritative and unauthoritative government intervention, giving as an example a government manufactory with an enforced monopoly and the same manufactory working alongside private factories. He points out that the former needs more thorough justification than the latter.)

Taking equity shareholdings in local firms

i) General purpose of the legislation

A new public Act to allow local authorities to acquire voluntarily equity shares in firms within their areas.

ii) General content of the legislation

- the powers could be used to provide equity finance to any limited liability company both registered and operating in the local area
- up to 55% of the total equity finance of the company could be owned by the local authority
- the local authority would exercise the normal rights of a shareholder. Also, it would under agreed conditions be entitled to one director if it owned more than 10% of the ordinary shares.
- the power could be used only after a favourable report by an independent commercial assessor.

iii) Responsibility within local government

The power could be used by both Counties and Districts. Central government approval would be needed before both a County and one of its Districts acquired shares in the same company (that would be necessary to reduce the possibility of County/District conflicts on the Board).

The Finance Committee would exercise the voting rights and the Council would nominate any directors to which it was entitled. If such responsibilities grew, the Council could set up a Board to recommend equity purchases, to exercise the voting rights, and to nominate directors.

iv) Central government procedures

A local authority could provide equity finance only after an independent assessment of the commercial viability of the company. That report

must be sent to central government. Only if the report was unfavourable could central government forbid the local authority shareholding. But the operation of this power by local authorities must be included in their EPF's.

v) Financial arrangements

Local authorities would have to provide all the finance. They could borrow through the normal channels to do so, but might find it difficult to get loan sanction. Alternatively, local authorities could use a part of their superannuation funds for this purpose (see the South Yorkshire CC example in appendix B to chapter 2): nationally, that would provide a huge sum annually for such local authority shareholding. (The 1961 Trustees Investment Act allows local authorities to invest up to half of their superannuation funds in equities, but only in publicly quoted companies with at least £1M issued paid up capital. That restriction would limit the help that could be given to smaller firms. South Yorkshire CC obtained special permission - the 1974 Superannuation Regulations (South Yorkshire) - to enable it to invest in unquoted securities.)

vi) Other comments

- this subject is being carefully investigated by Minns and Thornley (1976). They point out that central government interprets section III of the 1972 Local Government Act as allowing local authorities to acquire shares in land development companies, but not in other types of company. And they give examples of how several local authorities have overcome the obstacles in ad hoc ways in order to take shares more widely - local authorities can at present give loans to firms for constructing buildings on land sold or let by them, and several local authorities have private Act powers to give loans to firms more widely (see appendix D to

chapter 4). If local authorities were to supply not the loan capital but the equity capital, they would have more direct and continuous influence. - this power would be used to save from collapse or takeover viable firms which could not raise sufficient equity capital quickly, to help new firms to become established, and to help existing firms to grow.

Initially, the main purpose might be to provide employment, but later the firms could be influenced to provide other public benefits (e.g. the physical redevelopment of parts of cities, the provision of services to other local firms, retaining control of the firm in local hands)

- the Tyne and Wear County Council Bill, 1975 asked for powers "to acquire shares, or any other security of a like nature ... to enable a local authority to assist industry or commerce ... provided that the local authority shall not acquire shares or securities under this section without the consent of that body corporate". That section was deleted in the Committee stage in the House of Lords (Rogers, 1976).

Chapter 13

POLICY ALTERNATIVES

Introduction

The purpose of this chapter is to apply the ideas developed in the report to the three main problem areas in towns - jobs, housing, and transport. The application is in the following way.

We assume that the argument of this thesis has been accepted, with the result that the desirability and practicability of extending the practice of local economic planning have been carefully investigated by politicians and policy-makers. We assume further that that investigation has led to several extra local economic powers and planning procedures being created, to be used within the guidelines suggested by chapter 12. The main guidelines are: the changes in both powers and practice to be marginal and evolutionary; the new powers to be operated by local government but with central government checks; the powers to be operated within local government on corporate planning lines and integrated with other local government powers; the new powers to be used within the current limits of political acceptability and theoretical knowledge; the new powers to be used to tackle the most urgent urban problems.

If those assumptions came true, what alternative policies could be applied to tackle the urban problems of employment, housing, and transport? We answer that question by painting a scenario of policy-making in local government in the near future - say, 5 to 10 years away. Such a scenario enables us to see how the ideas developed in this report could be applied to produce different and more varied urban policies.

It would be possible to peer further into the future, in order to imagine what wider range of policy alternatives would be feasible if the first 5 to 10 years of local economic planning proved to be successful. For it

is probable that success would be accompanied by better theory, greater political acceptability, and new organisations. If so, the evolutionary changes in policy-making would continue, until new policies were being implemented which were radically different from today's urban policies. We could then imagine city governments producing comprehensive local economic plans, operating discriminatory investment policies more widely, pursuing policies by changing relative prices, wielding much greater powers to alter income distributions, levying local taxes, and so on. We could even imagine city governments trying, by radical institutional changes, to alter basic economic relationships and thus to redirect powerful economic forces so that they pushed society along different, and preferable, paths.

However, we shall not allow ourselves the pleasure of painting such a distant scenario, for it could be no more than a curiosity. Urban policy so far ahead will depend on the new politics in the new society, and the art of forecasting does not allow us yet to foresee such political and social changes even in the near future. So we shall focus our crystal ball on the next 5 or 10 years, make our cautious assumptions about political and social changes by then being consistent with this report, and eavesdrop on an afternoon of urban policy-making.

The Conurbation County Council

Let us imagine ourselves some years in the future, sitting in the office of the Chief Executive of a Conurbation County Council (similar to the 1974 Metropolitan County Council, but with much wider boundaries). He has called three meetings for this afternoon, the first to review the Council's policy on employment, the second to review policy on housing, the third to review policy on transport. We shall join the Chief, (a man, despite the rapid progress towards equality made by women) for all of those meetings.

But first, let us look at the list of attenders, for there have been some changes in organisational structure in the last few years. In particular, there is now a small Economic Planning Group, within the County Treasurer's Department. This was created after several recent public Acts gave more economic powers to local authorities, an important change which resulted from two political campaigns in which our Chief Executive played a discreet but important part. One campaign was for more independence by larger local authorities in England, in the wake of the significant devolution of powers to Scotland and Wales. The other campaign was for a wider range of powers for local authorities, as the country grappled with persistently high unemployment and urban deprivation throughout the second half of the 1970's.

In our Conurbation County Council, those new powers have been grouped with several existing economic powers (including powers over new industrial land and buildings previously wielded by the Estates Department) and made the responsibility of the Economic Planning Group. The Chief Executive sees that group as having a "function" rather than a "purpose", the function being to use its economic powers and to advise other

Departments which have economic powers, for whatever purposes the Council chooses. To that end, the Group has been staffed with applied economists, specialists in applying economic planning tools. The Chief Executive saw the Economic Planning Group in that way by analogy with the recently reformed Town Planning Department: now that local authorities are no longer obliged to produce Structure Plans, except to provide the briefest of contexts for Local Plans, the Town Planning Department is used as a collection of specialists in applying physical planning tools, for whatever purposes the Council chooses.

Each of the three afternoon meetings will be attended by representatives from those two "function" groups - economic planning and town planning - for those groups contain specialists who can help to tackle each of the three problem areas of employment, housing, and transport. Other groups within the local authority will be represented too. The Education Department will be there, a major "purpose" department, to see how its educational purpose can contribute to the purpose of alleviating unemployment. The Housing Department will be there too, another "purpose" department, which can contribute to alleviating not only housing problems but also (indirectly) employment and transport problems. The Transport Department will be present, in a dual role: as a "purpose" department, it is at the centre of the transport problem area; as a "function" department, the services it provides can contribute to reducing employment and housing problems. Also present will be the Land Department, which has the function of controlling the supply of land onto the market, land for public use and for private use.

The difficulties of getting all those departments and groups working together, thinks the Chief Executive, have not been completely resolved.

It was not too hard convincing the "function" groups to see themselves as footloose specialists, contributing to one problem area after another: indeed, it rather flattered those groups to think of themselves as consultants. The "purpose" groups have been more difficult to persuade: there is still a tendency for the Education Department to want to get on with teaching, the Housing Department with providing housing, the Transport Department with providing roads and bus services. We shall see, thinks our Chief Executive, if I can persuade all these people to co-operate in some "integrated planning". And he prepares for the first meeting.

Employment Problems

Employment policy has been made the responsibility of the Economic Planning Group, partly because there was no existing Department in which it fitted neatly, and partly because many of the new economic powers were given for the purpose of tackling employment problems. So it is a spokesman for that Group who is invited to open the business. The business is to start the annual cycle of preparing the Employment Policies and Programmes document, for submission to central government: this is the fifth EPP to be prepared, so the County Council has experiences of success and failure to build upon.

"Last year," begins the spokesman for the Economic Planning Group, "we identified three types of employment problem within the County. We shall take each of them in turn, reviewing the measures we took to combat each type of problem, deciding whether that problem remains and if so what measures to take next year, and then considering what to do about a new problem which we have identified.

i) The level of unemployment

This has been unacceptably high for several years now, relatively to other parts of the country and absolutely in terms of peoples' frustrations and disappointments. Last year we continued our campaign, with the other Counties, to be allowed to offer grants to local industries and finally Whitehall has decided. The decision is No! Whitehall will not allow local authorities to compete against each other for mobile industry by financial means, especially while central government is continuing its national policy for industrial location. So let us review the other measures we took.

The provision of industrial land, premises, and mortgages continues. We are allowed to offer these at market rates to incoming firms, and there was a small but welcome inflow of new employment. We are allowed to offer those provisions at cut rates to existing firms, and the response has been great. In particular, it has been possible to go ahead with several transport and housing schemes without losing any employment because of the demolition of old industrial premises. I propose that we ask, in the next EPP, for approval to allocate the same sum to that programme next year.

The other main measure that we took was to offer council tenancies (with the co-operation of the Housing Department) to key workers of incoming firms. Only three tenancies have been taken in the last year. It appears that a general shortage of housing is not preventing new firms from coming here. I propose that we do not ask the Housing Department to continue to offer that allocation.

I am glad to report that unemployment is dropping, mainly because of a general upturn in the national economy, but partly no doubt because of our own efforts over the last few years (500 jobs in premises erected by us or on our land). I propose that we continue our programme of providing those premises, and suggest that no other programmes to alleviate general unemployment are needed.

However, two particular problems of unemployment remain: unemployment is still high among unskilled male workers, and general unemployment is high in District X. The former problem I would like to discuss later, but the latter can conveniently be raised here. Our studies indicate that the expected revival in the economy will soon provide jobs which could be taken by all but the unskilled unemployed in District X: but

also that skilled workers in that District will have difficulty travelling to take the new jobs in the areas where we expect those jobs to grow. We could try to divert some new jobs to District X, but the cost of making that area an attractive industrial location would be high. After discussions with the Transport Department, we have decided that it would be cheaper to provide two new bus routes, providing commuter services out of District X at subsidised fares. We shall try to get the cost met out of the EPP rather than the TPP.

ii) The shortage of skilled office workers

Three years ago we identified this shortage as one of the main reasons why we had so many office blocks standing empty. You might remember that we decided to do nothing about it, predicting that the new training courses in the adjacent county would provide the extra office workers needed here: but we failed to predict the new offices that were built there soon after, taking the workers finishing those courses. You will remember that this Council, with the full co-operation of the Training Services Agency, then decided to expand its training courses in commercial subjects: six months ago, the first people finished those courses. I can report that all have found jobs locally, and that estate agents report new interest in renting office space. It is proposed to continue the training courses. The TSA is paying for them, so we need include no cost in the EPP.

The success of the courses has been such that a recently completed study predicts a shortage of suitable housing if all the vacant office space is taken. Predictions of housing demand are notoriously unreliable, so we cannot yet recommend that any action be taken. Nevertheless, we are keeping in close contact with the Housing and Land Departments about

possible housing shortages.

iii) Low female activity rates

We first reported this problem last year. We had suspected such concealed unemployment among women after a standard analysis of Census data, and some small surveys confirmed our suspicions. Last year we decided to try to alleviate the low activity rates of married women by opening several day nurseries, on the assumption that the women were unable to work because of their family responsibilities. I can now report, using information from the Social Services Department, that those nurseries have been extremely popular - but have done nothing to reduce the employment problem. Only one or two of the mothers using the nurseries have been able to find jobs. It appears that the cause of the low female activity rates is that there is a low demand for unskilled and semi-skilled female manual labour. I recommend that we no longer fund the nurseries through the EPP: the Social Services Department might like to take over responsibility for them.

We have made further studies which suggest that few of the women thus unemployed will be able to benefit from the training courses in commercial subjects, and other predictions of the local effects of the general increase in labour demand suggest that there will be little increase in demand for manual female labour. We need a fresh attack on this problem.

We have recently finished discussing with a few local firms the possibility of planning agreements, whereby they employ more local manual female labour if we transfer to those firms some of the Council's orders currently being filled by outside firms. We have in mind orders for laundering and for packaged foods. Such planning agreements might not

be approved by Whitehall: nevertheless, I propose that we include them in the EPP, hopefully.

iv) Unemployment of unskilled male workers.

The three problems just discussed were in last year's EPP also: this fourth problem was not. The reason is that it was masked by the high rate of general unemployment, which is now receding to reveal this residual problem.

The unemployment of local unskilled male workers is causing us great concern, and we see no way in which private industry will help. Our prediction of the effects of the expected increase in local production is that the increased labour demand will be for skilled workers only: and our experience of the last few years is that few of the unskilled employed can be successfully trained for skilled work. Our conclusion is that the only solution is for the County to undertake special public works.

There are always many desirable environmental improvements which unskilled workers, properly supervised, can work on. Indeed, we have checked with the Housing and Transport Departments, both of which have many such schemes especially prepared, waiting for just such an opportunity. There is no shortage of jobs. And there will be no shortage of money if Whitehall will give us the full 95% grant. So I propose that we include those schemes in the next EPP. How much money we will be given depends on whether our need is recognised and on what claims are made by other Counties. We should make our own claim confidently."

The member of the Economic Planning Group finishes his review of last year's EPP and his recommendations for next year's. A full discussion follows: it is necessary to prepare carefully the report for the

Employment Sub-Committee.

Housing problems

The representative from the Housing Department is less at ease with this procedure of annual policy reviews and integrated planning. The formative years of his professional life taught him all about building and letting council dwellings, and managing and interpreting housing lists: with some difficulty he widened his responsibility to cover all types of housing: and now he is having to learn how to use new types of powers, including a bewildering freedom to use financial incentives. (Actually he, working for the County, does not now wield those powers. Housing is a District responsibility; but District policies have to be co-ordinated through the County. Our housing representative is today trying to speak for all the Districts.)

The recently introduced Housing Policies and Programmes (HPP's) have given wider powers to influence housing: the finance of local authority housing is much freer of central control, and the finance of private housing can now be influenced locally. The Housing Department takes a lot of advice from the Economic Planning Group on how to use the powers; for HPP's are not approved centrally unless they are carefully justified.

With those wider powers and responsibilities, the Housing Department can now take a wider view of housing problems and policies. These it now groups into three: the allocation of households to existing dwellings; the maintenance of existing dwellings; the provision of new dwellings. And now the housing representative starts to speak on those three housing areas, in that order. The order is important.

"Our purpose this afternoon is to prepare a draft of the next HPP to go to the forthcoming meeting of the Housing Committee. As in our last

few HPP's, I shall start by talking about allocation.

i) The allocation of households to dwellings

When we started our annual housing surveys three years ago I could not have believed that they would have been so useful. For they have shown us how many of our apparent housing problems are caused by a poor distribution of households among dwellings - small households in big dwellings and vice versa, people in one part of the County wanting to move to another part, renters wanting to buy and vice versa. If we could improve that allocation (and soon I shall make suggestions for doing that) the need for new dwellings would be less, and the types of dwelling needed would be different. We have calculated the saving to the Council of such a reduced building programme, and found that the sum would support a big Council programme of re-allocating dwellings. The programme we propose is as follows.

First, we want to enter the estate agency and conveyancing businesses. Our neighbouring county pioneered that enterprise two years ago, overcoming the legal obstacles, and the county reports growing success. It would be sensible for us to join that County's scheme, which is quite acceptable subject to the financial arrangements. The biggest cost would be in establishing the extension of the existing scheme: running costs should be covered by fees. We propose a suitable allocation in the HPP.

The main purpose of that proposal is to aid the movement of owner-occupiers by making such movement easier, quicker and cheaper. If the first year is a success, we shall be proposing a further extension next year - to include council dwellings, so as to facilitate "swaps" between council tenants.

Second, we want to give incentives to council tenants, who are occupying certain types of dwellings in short supply, to vacate those dwellings. We have identified the types of dwellings by location and type. If one of those tenants will move to another type of council dwelling we would like to reduce the rent by 25%. And if one of those tenants wants to buy we would like to offer 95% mortgages. We have estimated the cost of operating that scheme for the first year, and propose that it be included in the HPP.

Third, we want to give incentives to owner occupiers, living in dwellings which the Council could use, to sell those houses to the Council. We have identified the types of dwellings which would be of greatest use to us. We would like to establish a fund to enable us to buy those dwellings, and we would like to be able to offer the owners council tenancies at reduced rents, should they want them. Again, we propose that the scheme be included in the HPP.

Finally, it would be appropriate to mention here that the scheme which the Council introduced two years ago for a more general purpose - site value rating to achieve better land use - has started to have a significant effect on the allocation of housing land and hence, indirectly, on housing. The first effects have been an increase in applications to redevelop houses on big sites with housing at higher densities. The general policy, worked out by the Housing and Town Planning Committees is to allow such applications.

ii) The maintenance of dwellings

That set of programmes for re-allocating dwellings is new: but the programmes for improving the maintenance of dwellings are several years

old, so we can review their progress.

Two years ago, the Council stopped its previous practice of increasing the rateable values of domestic hereditaments which had been improved (by the addition of garages, central heating, etc.) as long as the improvements did not increase the floor area of the house by more than one third. The aim was to remove a small disincentive to owner occupiers improving their houses. A recent survey has not been able to establish that this programme has increased significantly the rate of improvements: but as the programme costs very little in lost rates and saves a little on administration, we propose that it be continued.

It was two years ago also that we introduced the "dual-lease" scheme for improving the standards of interior maintenance of council dwellings. Council tenants can choose whether to pay the normal rent and have the Council responsible for interior maintenance, or to pay a reduced rent and themselves to be responsible for interior maintenance: in the latter case, the Council is entitled to make half yearly inspections, on the results of which it can revoke the reduced lease and impose the normal lease.

In the first year of its operation, the scheme had little effect. So we decided to increase the rent differential, and offer to tenants taking the reduced lease greater security of tenure (subject always to satisfactory maintenance of their dwellings). I can now report a big take-up of the reduced leases. Our own maintenance costs have decreased significantly, our inspectors report that standards of interior maintenance are in most cases better, and some tenants are asking to be responsible for exterior maintenance also.

We propose continuing the scheme in its present form in the next year, and we shall study carefully the possibilities of extending its scope to exterior maintenance.

iii) The provision of new dwellings.

I have left this problem area to the end, because building new dwellings has a very small effect on the total supply of housing. Moreover, if our programme of re-allocating existing dwellings is successful, the need for new dwellings will be different. The results of that programme will not be known for a year or so: but any building we start now will still produce desired dwellings, so by proposing new building now we are not anticipating the results of the re-allocation schemes.

We shall consider the provision of new dwellings in three parts. The first is building for owner-occupation by private builders. We do not expect any problems to arise there. Under the modified Community Land Act we have acquired a land bank, and we propose releasing land to the builders at the same rate as last year.

Second, we must consider the provision of houses for people who want to buy but can hardly afford to do so. We propose the following scheme. In District X is good, attractive housing land which we bought many years ago. Our scheme is to build simple houses on it, and to sell them leasehold at a price which covers the cost of construction and the historic cost of the land: when a tenant wanted to sell, he would have to sell back to the Council. In that way, we could provide housing about 25% cheaper than a private builder could. And the only cost to us would be the opportunity cost of not realising the market value of the land. That is a cost which need not be entered into the HPP. Preliminary discussions with a building society have produced the offer of mortgages

on those houses.

Now, you will remember that the Employment Review said that jobs are scarce in District X. So our scheme is conditional on the employment proposal that transport be improved to and from District X. We have, of course, discussed that fully with the Economic Planning Group and the Transport Department. Assuming that the transport is improved, we recommend that our housebuilding scheme be adopted.

The third part of our programme for providing new dwellings is for people who cannot afford to buy at all. Some council housing to rent is in the pipeline, resulting from decisions made in the last two HPP's: this year, we would like to try an experimental self-build scheme. A group of 20 families has approached us for land on which they could build a low-rise block of flats. Our proposal is this. We have some suitable land, and we give the group a free building lease, followed by a free lease to occupy the land for 99 years. We also give the group a grant, equal to the capitalised value of the subsidy we would have paid have we housed those 20 families for 10 years. A building society will give a mortgage for the rest of the cost, if the Council will guarantee the mortgage. If the group does some of the building work itself, the resulting mortgage payments will be within its means. Legally the group will act like a Housing Society. We recommend that the scheme be included in the forthcoming HPP, and hope that Whitehall will approve it."

Those proposals for the next HPP are discussed, while the spokesman from the Transport Department prepares for his turn.

Transport Problems

The Transport Department takes annual reviews in its stride: it has been preparing TPP's annually since 1975. So its representative starts without any hesitation.

"Last year we identified two main problem areas, which have remained with us. First we shall talk about the traffic congestion in the central area, second about the mobility of those without cars; and we shall see how the two problems are related.

i) Traffic congestion in the central area.

The problem has been familiar to us for many years now: too many people travelling to work by car, too few by public transport. For the last few years, we have been trying to attract people out of their cars and into the buses, by subsidising bus fares. The annual subsidy is now enormous, and Whitehall has told us it will not approve such a big subsidy in the next TPP; moreover the subsidy has not been very effective in reducing congestion. Two years ago, you will remember, we tried an additional method - levying a heavy local sales tax on petrol. That was disastrous. We predicted that most people would not travel out of the County to buy petrol, but most people did: a third of our petrol stations closed, and congestion was unaffected.

Other counties have tackled the problem of central congestion by encouraging the decentralisation of workplaces. And often those efforts have been successful: but the side-effects have been damaging. For public transport has not been able efficiently to serve dispersed workplaces, so the mobility of those without cars has been further reduced. Another

way of tackling the congestion would have been by road-pricing: but recently the precedent has been established that Whitehall will not allow road-pricing in TPP's.

So we have a new proposal - to stagger working hours. Our economists have tried to predict the effect on industrial costs of an imposed staggering of working hours: but the prediction was too difficult. So the Council sent two economists to the Continent to study the effects there of staggered hours. Our conclusion is that most industries (including offices) can work between 06.00 hours and 20.00 hours with few extra costs, but that a shock is required to persuade them to stagger their hours. We propose such a shock.

Our proposal is that charges to commerce and industry for gas, electricity, and water, be increased greatly between 09.00 hours and 17.00 hours, and be abolished outside those hours. Discussions with the statutory undertakers have concluded that, on reasonable assumptions, the income of those suppliers would be unchanged. But the charges can be altered easily and cheaply, so the differential could be altered experimentally so as to achieve the desired effects. The two-part tariffs should be imposed on all firms, manufacturing and service, public and private: they should be imposed even outside the congested areas, so as not to encourage decentralisation.

The desired effect of that proposal is to make traffic flows more even throughout the day. That should make public transport more efficient, because of faster speeds and more even loading. And the proposal should, if anything, make the central area more attractive, thus encouraging travel patterns convenient for public transport.

ii) The mobility of those without cars

Again the problem is not new. People without cars rely on public transport, but public transport worsens as more people use cars, as labour costs rise relatively to other costs, and as activities disperse and decentralise. Let us review some of the measures we took in our last TPP.

The subsidy on bus fares was increased again last year, and we calculated that, if the subsidy were abolished, 30% fewer trips would be made, two-thirds of them by people with no cars. And of the other 70% of trips, three quarters of them would be by people without cars, and thus those people would lose the benefit of the subsidy. So the subsidy is substantially increasing the mobility of those without cars. We propose to include the subsidy in next year's TPP but, as you have heard, it will have to be less.

Last year we included a new measure - free bus passes for the old age pensioners and for children below 16. That has been a huge success. In particular, bus trips by such people have increased by 30%. And bus revenue has increased, by the sum which the Social Services Department pays for each free pass, without any significant increase in bus costs. The Transport and Social Services Departments together propose that free bus passes continue. The measure should be included in the next TPP, although the cost is not paid from that budget.

We have predicted that those without cars should benefit from the measure described earlier, to stagger working hours. For that measure should produce a more even use of buses, thus allowing better bus services to be run. But our predictions of the benefit to the car-less are necessarily tentative.

We would like to include, in the next TPP, one new measure to ease the transport problems of those without cars. It has been developed jointly with the Land and Town Planning Departments, in an attempt to reduce further dispersal of activities. The proposal is to refuse planning activities for major developments more than half a mile from a public transport route, new or proposed. There is another measure which should accompany that, in order to avoid the bad side-effects that, we predict, would result: for land prices would be likely to rise around public transport routes. So we propose that the modified Community Land Act be used to ensure that the desired developments would not be prevented or distorted by the increased land prices.

Those two joint measures would cost us little, except perhaps in foregoing higher prices for some land leases. Nevertheless, the measures should be included in the TPP, in order to gain central government cooperation over the planning appeals that would undoubtedly follow.

And that, Mr. Chairman, outlines and explains the contents of the TPP that we would like to put before the next meeting of the Transport Committee."

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After the third lot of discussion has ended, and all the attenders have left, the Chief Executive thinks back over the afternoon. It has been, he considers, satisfactory. Urban policy-making seems to be improving. His city, even, seems to be improving. Perhaps all his hard work has been worthwhile.

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