

A YOUNG FABIAN PAMPHLET 3S6D

# more power to the regions

BY DAVID STEELE

DAVID STEELE is an Economist and Vice-Chairman  
of the Young Fabian Group.

THE FABIAN SOCIETY,  
11, Dartmouth Street, S.W1

*Note.—This pamphlet, like all publications of the FABIAN SOCIETY, represents not the collective view of the Society but only the view of the individual who prepared it. The responsibility of the Society is limited to approving the publications which it issues as worthy of consideration within the Labour Movement.*

March, 1964.

Y.F.G.6

# I. Introduction

GOVERNMENT files are crammed with references to regional planning. Depressed area policy has become important again, prompted to the forefront by an impending election, last year's bad winter and a further period of high unemployment. What lies behind all the talk of regional planning is less precise. The administrative implications of even the moves proposed in the latest regional 'White Papers'<sup>1</sup> must be severely worrying the Government; a great many 'gremlins' have been let out, local government reform, tax reform, ministerial reorganisation, the location of planning responsibility, the relation between physical and economic planning. One wonders whether present Government plans have not been prompted by a phrenetic desire to attract new industry voluntarily to the depressed regions. Have not the choice of the growth points within the regions, their dramatically increased public service budgets, their extravagant grants and loans, been motivated by this end? Could not a more satisfactory result have been achieved at less unit cost and without the sacrifice of large stretches of the country?

Can the problems be tackled without a combined physical and economic planning organisation based on the regions? Population growth, housing demand, 'competitive emulation' of rising living standards, and the decay of our cities have swamped the efforts of our town and country planners. The estimate for population growth alone over the next twenty years implies that 'the equivalent of six Birminghams or, preferably, sixty large new towns must be constructed'.<sup>2</sup> And population estimates have been consistently too low since the war. Economic planning of growth implies changes in geographical location. Have we not overstressed the 'footloose' nature of modern industry? The need for new jobs has been continually underestimated. Population growth will require more jobs. The long term trend of young people to others on the dole has increased, the unemployment gap with the prosperous areas has widened. The old industries are still dominant and decaying. New industry requires less labour for every unit of output. The depressed areas are less depressed than in the thirties, but the prosperous areas are richer and the imbalance worsens. The poor areas pay for the education and training of those who migrate; their savings are directed southwards to be invested. The problem magnifies and perpetuates itself. Will any organisation short of regional government be sufficient to halt these trends?

---

<sup>1</sup> 'The North East—A Programme for Regional Development and Growth'. Cmd. 2206.

'Central Scotland—A Programme for Development and Growth'. Cmd. 2188.

<sup>2</sup> 'City Regions'—Town and Country Planning Summer School, J. H. James, Chief Planner, Ministry of Housing and Local Government.

AB

## 2. Barometer Readings

WE should know to what extent past policy has been the result of a misreading of the economic barometer and to what extent the readings have been misinterpreted. A lead as to how they should be interpreted is provided by the Swedish economist, Gunnar Myrdal. He has examined how it is that the gap between the underdeveloped and the developed world continues to widen, and how the same phenomenon is found between regions within nations, by analysing income movements and social forces. Myrdal translates the Keynesian revolution in economic thinking into geographical terms, and makes a further break with the price mechanism.

The key process in his system he called 'Cumulative Causation.'

'If things were left to market forces unhampered by any policy inferences, industrial production, commerce, banking, insurance, shipping and, indeed, almost all those economic activities which, in a developing economy, tend to give a bigger than average return—and in addition science, art, literature, education and higher culture generally—would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.'<sup>3</sup>

He examined the implications of a factory burning down in a small town. The factory, he presumes, is not replaced. Income and demand fall and the town and its surrounding area become less attractive to businessmen. The same effect is brought about by the results of migration and the raised level of local taxation. Because the young and skilled migrate, an ageing population is left behind with greater public service needs. The kind of public services which give external economies to industry and commerce are perforce neglected; the local banking system does not invest locally, but directs savings to the more profitable richer areas. The effect of the initial closing of the factory accumulates downwards.

To the extent that this theory fits in the depressed regions of Britain, there will need to be radical counter measures specific to the regions. It will not be sufficient to rely only on national growth policies to aid the regions. Nor are price incentives the best counter to what is primarily an income effect.

### (1) UNEMPLOYMENT AND THE INDUSTRIAL STRUCTURE

Because of the way unemployment has been tackled in the past, it is important to understand to what extent it is a symptom of a disease in the economic system of the regions. The root causes of local unemployment can be pinned down to four main trends, the decline of local industry, the slow growth of new industry, trade cycle depression and automation.

---

<sup>3</sup> 'Economic Theory in Underdeveloped Regions.'—G. Myrdal. P.26.

### Industrial Decline

Overdependence upon the old basic industries is still the dominant factor in the depressed area economies. The trends have been constant since 1914. To take the example of the Northern Region and one of its most important industries, shipbuilding and marine engineering, there were in 1962 12.3 per cent of all its manufacturing employees in this one industry. Although it has declined steadily, from 18.4 per cent in 1948 to 14.5 per cent in 1954<sup>4</sup>, the absolute numbers of workers in this category has declined relatively little, from 57,000 in 1954 to 56,000 in 1962.

Capital goods industries are more sensitive to changing economic fortune, but that does not mean all light industry is insensitive. There is a myth that the North is given over entirely to the production of heavy capital goods and the South to consumer goods and this accounts for the prosperity of the latter. Heavy and light industry are present in the more prosperous, as in the least prosperous areas. If the chemical and electrical engineering industries were as well established in the North in the thirties as now, their growth would have gone a long way to offset the decline of the other basic sectors, especially if the relevant consumer goods clustered around them. Few would suggest that the Midlands lacked diversification, yet in this region the metal and engineering industries combined have 35.4 per cent of all manufacturing employment. The important point for a local economy is to pin its faith in a sound basic industry, not one that is on the decline, like shipbuilding.

The decline of one principal industry is accompanied by an equivalent fall in the output and employment of ancillary trades and services. What was originally the medium for cost economies and growth, the specialisation of the area, becomes the web which ensnares all those linked to the main industry. To the extent that they are dependent upon that industry, they go down with it. A depression in shipbuilding brings about unemployment in marine engineering, located to cater solely for its needs. Specialisation still has its dangers, but in modern industry the multi-purpose firm can use the same technical process to make a different product. Choosing the right industry upon which to be dependent carries less dangers with the progress of technological change.

To the extent that industry specialises, it also locates itself close to other units, upon which it is in some way economically dependent. Professor Sargeant-Florence has found that the degree of geographical concentration of industry has been remarkably constant.<sup>5</sup> This holds true despite the common conception of increasing industrial mobility. Within regions industry will automatically cluster in locations geared to exploiting the market. Policy, on the other hand, depends on the assumed presence of much footloose industry, which can go to any region or any part within a region

---

<sup>4</sup> Census of Production, 1954, 'Ministry of Labour Gazette', March, 1963.

<sup>5</sup> 'Post War Investment Location and Size of Plant.' Sargeant-Florence. NIESR, 1962. P.14.

irrespective of the market. Myrdal's theory can be applied as much within regions as between them. This concentration of industry partly explains the faster rate of growth of the prosperous regions as well as the 'growth points' within the less prosperous ones.

It is a significant characteristic of the areas of high unemployment that they have industrial and commercial capital geared to external trade. The conurbations grew up around the ports, Tyne, Tees and Wearside in the North-East, Clydeside in Scotland, Merseyside, and Swansea and Cardiff in South Wales. The report of the Rochdale Committee has clearly indicated the poor state of the British depressed area ports. The trend towards increased trade is not reflected in their registers. Recommendations of the Committee, for the concentration of port use on London and Southampton, are based upon the acceptance of the southern population drift and will do nothing to counteract it.<sup>6</sup> Regional policy should demand considerable new investment in the main northern ports, as one of its points of departure.

### **The Slow Growth of New Industry**

All the regions have attracted some new industries, the North-West and Scotland more than others.<sup>7</sup> According to the National Institute of Social and Economic Research the new industries have not grown as fast in the depressed regions as the average of their growth rate in the country as a whole. However, the measurement the Institute uses is of change of employment and not of output growth, which may disguise the influence of mechanisation or automation.

It is not easy to ascertain why new industry grows less quickly in the poorer regions. Internal cost differences between comparable firms in the different regions may explain the prosperity of the 'South' as against the 'North' for the basic industries, such as coal mining, but not for the new industries. Studies of these have shown at least 'direct costs' to be broadly parallel between firms who have made a move and those of a similar type who have stayed in the same location.<sup>8</sup> Why the term 'growth points' is being bandied about so freely is mainly because it is now realised that the 'indirect costs' of firms who move are likely to be higher than those who stay, unless the reception area has broadly the same provision of 'services', and only Scotland has been found in one survey amongst the depressed regions to be adequately provided.<sup>9</sup> Services can be thought of as not only a particular employment sector, as in the survey, but all the benefits that a firm receives from its location, either publicly or privately provided. If services are looked at in this way, some immigrant new industry suffers from disadvantages which don't affect the parent firm.

---

<sup>6</sup> Report of the Committee of Enquiry into the Major Ports of Great Britain. Cmd. 1824.

<sup>7</sup> 'Regional Problems'—Mrs. Hemming. National Institute Economic Review, August 1963.

<sup>8</sup> 'Conditions Favourable to Faster Growth'—NEDC. P.21.

<sup>9</sup> 'Service Industry and Economic Growth'—G. Manners. Town Planning Review, January, 1963.

Most new industry arrives in a depressed area because of a decision by a major firm to expand by establishing a branch. These offshoots may have the advantage that they are backed by a going concern which can bear the initial high costs of development, and retain older workers. Nevertheless, there are distinct signs that these firms are the first to close their subsidiary down whenever the parent firm finds itself in difficulties. W. F. Luttrell, in his study of industrial movement, provides most convincing evidence on this subject.<sup>10</sup> Luttrell also found that the factories that were more permanent were those that made the same product as the parent firm, and were not simply cogs in a very big wheel. He attributes this to the size of the firm in each case. Could it not also be due to the fact that a factory producing the same items as the parent firm is likely to be more independent, both as a supplier and as a demander of the product? The parent concern, which usually contains the main service provision of the firm finds communication more difficult and consequently its indirect costs higher. More important still are the locally provided external benefits of the branch, which Luttrell did not attempt to investigate. These are not to be found in the individual accounts of the branch but in the rate of growth of the local economy. The growth dynamic of an area may depend partly upon these local links, and their absence may be responsible for the slow rate of growth in new industry where this is the dominant factor.

### **The Trade Cycle**

A downturn in the national economy reveals the structural weaknesses of the depressed regions. A trade boom which covers the whole country effectively hides the creeping downward path of the basic industries of an area. The 'Myrdal' influences are certainly slowed down in a boom. During the depressions they appear to quicken up, the percentage unemployment gap between the regions continually widening.

The power of national growth to rejuvenate employment in the depressed areas seems to be diminishing. Although the latest seasonally adjusted unemployment figures<sup>11</sup> seem to indicate that this trend may have been reversed in Wales, and possibly the North, where the unemployment gap with the rest of the U.K. has closed slightly since last winter.

It is clear that specifically regional policies are necessary; maintaining a high national growth rate will aid such policies, but is in itself not sufficient. There is probably more truth in the reverse, that regional policies will aid national growth. It is mainly in these regions that unemployed resources can be brought into employment without inflationary consequences.

### **Automation**

Insufficient attention has been given to the growth of capital intensive industry in the depressed regions (industry with higher than average

---

<sup>10</sup> 'Factory Location and Industrial Movement'—W. F. Luttrell. Vol. I. P.1193. NIESR.

<sup>11</sup> Seasonal adjustments and unemployment figures, Ministry of Labour Gazette.

mechanical power per worker). We are no longer in the prophecy stage in interpreting the effect of 'automation' on their unemployment difficulties. The word 'automation' here is used to define an effect, the faster rise in output than employment. The discussion of whether it is strictly 'automation' or 'mechanisation' that caused this effect is not therefore important. The findings which are crucial for this analysis are that in the depressed regions automation is proceeding at a faster rate than elsewhere. This is shown by a comparison of the regions, in the Census of Production, over the years 1948-58, of the figures of net output per head. At the head of the list of those regions with the highest net output per head are Wales, the North and Scotland.

The industries where automation redundancy is most pronounced can be pinpointed by correlating output and employment growth with their record of unemployment. Those revealed by this method are: mining and quarrying; food, drink and tobacco; general chemicals; engineering and electrical; vehicles; textiles, bricks and cement; other manufacturing; construction; distribution; and public administration. Though a fuller breakdown of each industry is needed for every region separately,<sup>12</sup> it is clear that the depressed areas are affected. There is a scattering of the old and the new industries, as well as between manufacturing and service sectors. Despite their output growth these industries have had a persistently high unemployment rate. With a rising demand their employment rises less, and in falling demand falls more.

Automation will lend a new twist to the Myrdal thesis, if it creates proportionately more unemployment in the depressed areas than in the prosperous regions. The price mechanism should have kept labour intensive industries going longer in areas of low labour demand, but instead the newest equipment is being installed.

## (2) ECONOMIC BENEFIT AND LABOUR MOBILITY

Insufficient studies have been made in this country on the extent of social opposition to economic change. There are grounds for believing that it is not only on the work site that traditional behaviour patterns present a hindrance to progress, but also in the home community. At the worst there is outright resistance to change, and at the least, an absence of self-identification with the aims of planners and developers. This lack of identification with the planners is not only a characteristic of local communities, but also of existing local industrial interests. Good relations between the

---

<sup>12</sup> The years surveyed were from 1958-62 for output and employment growth in the manufacturing industries, and from 1958-61 for the service sector. In the latter, product growth, not output, was the unit of measurement, the allocation made by the National Income and Expenditure accountants. The unemployment growth measure took a longer time span, 1954-62, cutting across the change in the standard industrial classification made in 1958, and to that extent the figures are unreliable.



planners and local industry become more difficult when the local plant is a branch of a major firm with its headquarters elsewhere.

Many of the social problems are similar in kind to those which accompany economic development projects in low income countries. The chain of causation may be different, but no more so with one under-developed area than another. Work for women changes their social status and therefore their place in the community. New factories on new estates take labour from old-established communities which resent, but cannot resist, the intrusion into their traditional pattern of life. The picture is a familiar one from accounts of such communities in South Wales, East London and Glasgow, as well as in the mining villages.<sup>13</sup>

### Mobility

Despite labour mobility and emigration, earnings differentials between the regions have remained consistent over the last fourteen years. In seven of the ten regions in Great Britain, earnings have moved in the same direction as net movements of population.

Regions	1948 earnings <sup>14</sup> (taking earnings for G.B. as 100)	1962 earnings <sup>15</sup> (taking earnings for G.B. as 100)	Net migration changes in G.B. 1951-61. 1000's <sup>16</sup>
North	95.5	96.7	-86
E. & W. Ridings	96.9	96.7	-98
Eastern	101.0	101.9	+455
London & S. East	108.1	106.4	-183
South	100.7	101.9	+237
South West	96.3	93.5	+78
Midlands	100.8	105.1	+126
North West	98.6	97.4	-124
Wales	98.0	100.9	-49
Scotland	93.0	91.3	-254

It can be seen from the table, notably in the Scottish region where the net migration was the greatest, there was still a large fall in relative earnings. The Myrdal theory of cumulative causation therefore seems to be directly applicable. Encouraging long distance mobility of labour does not appear to have corrected this trend.

### Regional Mobility

A distinction has to be made between long and short distance moves despite the fact that confusion will arise from attempting to aid one without encouraging the other. To persuade people to move permanently over a short distance is even more difficult than to encourage them to emigrate to another country. In the cases I studied in County Durham much of the

<sup>13</sup> A bibliography of such studies can be found at the end of an article on 'Local Social Status' in 'Sociological Review', July, 1962.

<sup>14</sup> 'The Economics of Wages'—D. J. Robertson.

<sup>15</sup> 'Statistics on Incomes, Prices, Employment and Production,' No. 3. Feb., 1963.

<sup>16</sup> Census of Population Preliminary Report, 1961.

reluctance could be boiled down to solid economic reasons, and not sentimental ones. There were either no available jobs for their skills, the rents were too high compared to their old slum cottages, or suitable transport was not available to make travel easy. Once these problems could be solved, the social difficulties of short distance migration would be found to be less serious. Such mobility would be necessary to make any 'growth point' policy effective. However, within the limitations of physical planning, if industry could be placed anywhere in economic groupings, there is no reason why the growth points need not be right in the middle of the most depressed parts of the regions, which would cut migration to a bare minimum.

### **Social Capital and Industry**

There are six major conurbations and six other 'incipient' ones in England and Wales.<sup>17</sup> If we include Glasgow and Edinburgh there would be one more of each type. Of these 14 there are 8 which are in the 1953 Development Areas, so it is clear that the problem regions are closely correlated with the question of the large towns and urban renewal. In a geographical survey of the worst areas of unfit housing, six of the conurbations in England and Wales feature amongst the ten worst areas found, and it is reasonably certain that if the Scottish cities had been included in the survey they would also have been high on the list.<sup>18</sup>

The hinterland areas around and between the big towns contain mining villages and 'town villages', with industries based on the pit head or with new industry located since the thirties. 'All these areas have one thing in common, the greater part of their physical development was carried out in a comparatively short space of time in the 19th century, in an era of unprecedented industrial expansion, population growth and urbanisation. This is particularly true of the northern industrial areas where much of the property is consequently falling due for replacement within a relatively short period.' The backlog of outdated social capital and its diffused position is taking its toll of economic growth.<sup>19</sup>

There are considerable 'external economies' to be gained from a planned association of industrial and social capital. Although investment in communications, drainage and power has been recognised as benefiting industrial undertakings, the advantages of good and convenient housing, and the adequacy and location of other social services have not been so appreciated. The measurement of returns to both public and private capital should include the external benefits bestowed on user industries and consumers generally. The social returns are nearly always greater than the private returns of any investment (below full employment). For individual firms there is often an underestimate of returns because they ignore the external benefits in their own accounts.

<sup>17</sup> Town and Country Planning Summer School—J. R. James. *Ibid.*

<sup>18</sup> 'Housing Conditions in Urban Areas of England and Wales'—F. T. Burnett and Sheila F. Scott, 'Sociological Review,' March, 1962.

<sup>19</sup> *Ibid.* F. T. Burnett and S. F. Scott.

The creation of social capital is not just a question of amenity but has economic implications. The dynamic of a local economy is related to the extent and quality of its social capital, and also to its geographical position. Physical planners generally realise this, so that where there is an agency like a New Towns Development Corporation which can comprehensively develop an area, there is an integrally related system of capital development. Unfortunately the administrative areas of New Towns are small. Outside them administrative responsibility is diffused and co-ordination of plans ineffective where it is not restrictive.

The growing imbalance between regions is enhanced by two trends. Firstly, social facilities follow the changing economic pattern after a considerable time lag, longer in the case of the depressed areas because of their low rateable income and, secondly, the depressed areas which initiate social economic benefits often see them diffused to the prosperous ones. For example, in the survey mentioned earlier, carried out by the Ministry of Housing and Local Government, the ten worst areas, containing 54 per cent of the country's unfit housing, had cleared 16.2 per cent of them between 1951 and 1959, compared with the average for the country of 23.4 per cent. For another example, the Registrar General for Scotland put the cost to the country of emigration from Scotland at £60m., probably a 'gross underestimate', which would be higher again if 'the potential loss to Scotland's industrial development' was included.<sup>20</sup> Social and economic factors are inextricably mixed up in producing regional imbalance.

### (3) INTERNATIONAL TRADE AND REGIONAL POLICY

International economic trends like national ones add to the drift south. Firstly, the growth of the Western European economy continues to exert a pull on industry and capital in Britain towards the South and East, even overspilling into Europe. This results from there being an epicentre of highly concentrated industry and population in Europe focussed on the Rhine delta at Rotterdam and partly because of the dynamism of the European economy. The fact that there are zones of depression within the area does not, as some people imagine, contradict the general pattern. The pockets of depression are caused by purely local conditions. The long term effects of the Common Market should eradicate such backwaters of relative poverty, but for the peripheral regions the tendency will be for it to exacerbate them. Britain must be counted as a peripheral area in so far as trade and capital flows are directed to the Common Market. With EFTA, however, it ought to be remembered that there are no social harmonisation or supranational regional policies to counter the disturbances caused by free trade.

It is currently being argued that one should minimise the effect on location brought about by the changes in tariffs as a result of the EFTA

---

<sup>20</sup> Symposium on 'Natural Resources in Scotland.' P.601.

and the Common Market treaties. Social harmonisation policies are unnecessary if market changes are too slow or imperfect to cause violent swings in industrial fortune across regional or national boundaries. The Low Countries cite the Benelux Treaty as an instance of where considerable differences in costs and prices can be eradicated without major industrial disturbance. However, the classical market indicators need to move less widely in areas of general prosperity, despite imperfections in the market, and the effects of disturbance are less felt where adjustment is quick. These facts apply to the Low Countries which are in Europe's most favoured zone, but do not apply to the peripheral areas, such as Britain, Scandinavia and Portugal. The major mistake is to regard income effects as of less importance than market imperfections. It is certainly the case that where regional disparities exist, it is mainly because of the income and capital changes and the pattern of 'cumulative causation' that results from them. The implication is that regional policies become more urgent the further one goes from the Continent's economic centre. This is borne out by a United Nations Survey in 1954 which claims that national boundaries 'separate the relatively poorer regions of the richer of two neighbouring countries from the relatively richer regions in the poorer country.'<sup>21</sup> If, therefore, tariff reductions are the maginal cause of a factory closure then it is to the resulting income effects that we must look for its impact on industrial location in the depressed areas.

The third glance into the future concerns the implications for British industry, in all regions of the country, of the industrialisation of the under-developed areas. Total trade with these countries need not decrease if Britain is in a position to rapidly retool to meet the specialised needs of the moment. The pattern of trade will be based, not so much on the exchange of one broad class of manufactures for another as on exports of specifically different manufactures within the same broad classes'.<sup>22</sup> The problem is then to encourage the supply of products which will sell in highly competitive markets. It is not use dealing in loose and general terms with the encouragement of industry from the top. What is needed is a knowledge of exactly what specific sections of the industry must be pushed. The main implication of the need for product flexibility is two-fold. Firstly, until depressed area structural vulnerability is reduced then the effect of any trade change will be more deeply felt. Secondly, in so far as areas continue to specialise in one product or a range of products, certain distinct measures will be needed to anticipate changes in demand and to aid readaptation.

The world movement into regional blocks, and the problems of the under-developed areas, have one important lesson for those anxious about depressed areas inside well-developed countries. Trade alone is not sufficient to give the impetus for self-sustaining growth. The kinds of trends which are operating to impoverish the under-developed areas have their counter-

---

<sup>21</sup> 'Economic Survey of Europe, 1954.' United Nations. P.138.

<sup>22</sup> 'World Economic Survey, 1961.' United Nations. P.4.

part in the regions within nations, less so the more developed they are, but present nonetheless.

#### (4) SUMMARY

Unemployment has its roots deep in the industrial and social structure. Regional imbalance owes its origin more to income movements and dynamic social and economic changes, national and international, than to cost differentials. For both these reasons, unless these forces are countered at source with measures peculiar to each region, then the disparities between regions are likely to grow. Counter action will need to be balanced with the right 'mix' of industrial and public service investment, otherwise economic benefits will be dissipated into thin air.

The external benefits of social investment are just beginning to be appreciated. However, it will take effective prior measurement of potential returns along with co-ordination of investment decisions before any judgment can be made of what these benefits are likely to be.

Even if we abandon mobility of labour as the solution to regional problems, occupational and regional mobility will be necessary if a 'growth point' policy is to be followed. There will be local resistances to these and other changes needing schemes of community education and participation in the working out of plans to overcome them.

Industrial linkages can lead equally to upward or downward spirals in the local economy. These links are stronger in an area where industry is highly localised and in some degree specialised. The slow growth of new industry and the shortage of it may be partly accounted for by the absence of such linkages in the new sectors. International trade developments will increase the dangers of an inflexible industrial structure. Any system planned must be able to adapt itself to a rapidly changing world demand for products.

### 3. The Five Shibboleths

WE are too often blind to arguments for major reforms and instead think of minor alterations in the existing structure. With depressed area legislation this fault has been paramount. The quantity of legislation which has been enacted on the subject is misleading, to the variety of remedies attempted; only the smallest variations distinguish any of the Acts of Parliament from each other. In all, seven major Acts have been passed since the first in 1934. The number alone is indicative of their failure to solve the long term unemployment problem.

#### (1) THE FIRST AID PRINCIPLE

With the exception of the 1945 Distribution of Industry Act, all other legislation has been passed in response to pressures of public opinion re-

acting against rising unemployment totals. In the Estimates Committee Minutes, 1962-3, it was stated that:

'During the period 1956-58 in the North-East there was descheduling of the development area administratively, and we know that during that particular time the effect was to hold up schemes for extensions to factories for a matter or two or three years. The year 1958 saw the end of the "stop" period, and we got the "go" that we were very anxious to have, but then it took up another year or two to build and equip these factories before the benefits came and by that time we were probably in another "stop" year. Continuity is vital.'<sup>23</sup>

The Government has vacillated between action and inaction partly because of its national economic policy, and partly because it chose to adhere to a single criterion in judging its own location policy, the area percentage unemployment figure of the local employment exchange. If the figure rose, or was expected to rise, to 4.5 per cent that district was in. Areas either side of a Development District, perhaps with more unemployed in total but with a lower percentage, were out, and even Development Districts where the unemployment percentage temporarily fell could be taken off the list—'stop listed'—though for the 'growth zone' areas the government has promised a greater degree of permanence.

Most of the industry that was attracted to the areas came not in periods of unemployment, but when the economy was booming. For most of the post-war period, at these times, the Government was anxious to curb expenditure and it used distribution of industry legislation to make 'useful economies'. Legislation which is passed during periods of unemployment is likely to have very little result until at least two years afterwards, so it is quite likely that the maximum multiplier effects will be felt just when the Government is slapping on the brakes. The Government have claimed a change of heart; on the other hand, the upsurge of expenditure by them in 1963 is reminiscent of other pre-election periods.

## (2) THE DISPERSAL PRINCIPLE

Adherence to this principle is partly due to a hangover from the Barlow Report on the 'Distribution of the Industrial Population', which recommended the decentralisation and dispersal of industry and population from the congested cities. This report was accepted as the basis for all future planning policy. It did not suggest definite means of regrouping the uprooted population; it simply listed the different, and even competing, courses of action that could be taken ('Garden Cities or Garden Suburbs, Satellite Towns, Trading Estates, and further development of existing small towns or regional centres'). These suggestions were understood to apply mainly to London overspill. Not so much attention was paid to the settlement pattern elsewhere from the period after the war until quite recently. The Report

<sup>23</sup> 'Seventh Report of the Estimates Committee, 1962-63, H.C.229. P.105, para 677.

noted that the growth of London was mainly due to the over-attraction of industry; there had been considerable unemployment in the depressed regions, which therefore needed new industry, but the reasoning stopped there. After the War it was decided that help should be given to locate new industry in the depressed areas and that the Board of Trade, not the new Ministry of Town and Country Planning, should have the real powers. The local authority could refuse planning permission but was unlikely to do so as new industry was so scarce. Also if the Board of Trade knew that one authority was fussy about its industrial siting it was unlikely to view it with much favour. The Board of Trade adopted the principle of 'dispersal' partly because it was amenable to local authority pressure and partly because of the lack of guidance given to it by this pre-war Royal Commission. Despite an understanding of the inner life of bureaucracies, it is disconcerting that this situation should have continued for so long.

Small uneconomic sites have proliferated everywhere. Self-indulgent County Councils and County Boroughs appease their District Councils by including small industrial sites for them in all their plans. The Board of Trade's tacit approval of Development Plans does not give it any responsibility at all for providing sufficient industry to fill the site. The Board of Trade has its own estates, under the control of Management Corporations, and when it makes estimates of employment for these it can be taken as an intention to provide that amount of industry. However, many of its own estates are very small, and with such an example it is difficult to blame the local authorities. The Government's rents policy also aids 'dispersal', compensating for the effects of a poor location by charging a lower rent. Policy should aid depressed areas as against other areas, but within the regions themselves all locational advantages should be ironed out.

### **Benefits of Grouped Development**

Scattering industry around the hinterland regions is uneconomic and helps to preserve an outworn settlement pattern. The external benefits of concentration are missing. There is little alternative employment if ever redundancy occurs, a limited supply of different skills, a reluctance of key workers and management to go into isolation, a more costly provision of services, and a lack of contact with, in turn, markets, raw materials, the parent firm or new developments in the trade.<sup>24</sup> The second point is that scattered industrial sites have helped to preserve villages and town villages whose social capital by any standards has reached the end of its working life. This urbanisation of the countryside is much worse in the industrial north and the other depressed regions than elsewhere. Grants to clear away the debris from a past industrial age are being given with one hand, whilst

---

<sup>24</sup> G. H. J. Daysh and T. S. Symonds—'West Durham'. Basil Blackwell, 1953. Pp 141-143.  
Ibid. See also 'Estimates Committee,' P.113, para 706. Mr. Sadler-Foster, Chairman.

new industry re-marks out the old settlement pattern with the other. The addition of new council houses with some speculative building finalises the position again for another hundred years. With this kind of planning the ghost of the industrial revolution will never be laid.

The effect of directing industry into the big towns is less obvious. There has been little dispersal here. Estates are much larger, and are more economic as sites. Their worst effect arises when there is a need for overspill. New industry attracts labour to the conurbation and gives inhabitants a disincentive to move out. Light industry especially needs female workers and, with many service jobs in the town, they will probably have to travel in from the outlying districts. The conurbations are gradually added to and new ones created. Although there is little official recognition of the fact yet, the Hartlepoons are a conurbation in the making with an expectation of increasing their limits by 63.7 per cent from 1953 to 1971,<sup>25</sup> and a very audible pressure group to support their claims for new industry. With so much sub-standard housing it is difficult to see how, without spreading its boundaries a good deal more, this area can accommodate any but replacement industry. The authorities have so far failed to solve the twin problems of planning and unemployment in the depressed area conurbations. If Barlow had been ruthlessly followed, Tyneside, Clydeside and Merseyside would all have 'dispersed' some of their industry. As it is, there have been only watered down overspill policies, and the most ambitious schemes have been new towns which just skirt the fringes of the big cities.

The principle of dispersal mainly applies then to the hinterland areas between and around the conurbations. It is in these areas that industry has been scattered in uneconomic and badly planned units. For the towns the principle has little meaning, except insofar as one can say there are too many single sites unrelated to other industry and to the social environment. For the large towns a solution is not as readily available, for the relative merit of the rival policies of encouraging the growth of the towns as against overspill has not been finally resolved. Only insofar as the issues affect regional economic growth are they relevant here. So long as overspill is regrouped with industry in large enough economic units, the argument which remains must devolve around the extent to which good planning in very large towns can escape from the present diseconomies which threaten to throttle them.

### (3) THE PRINCIPLE OF DIVERSIFICATION

The idea of 'diversification' or 'industrial balance' is one which has received almost unanimous approval throughout the history of government's dealing with location policy. The principle has been the very bed-rock of all economic ideas about the kind of new industry that should be introduced into the depressed areas. Dependence upon a few basic industries

---

<sup>25</sup> R. Best and H. Coppock—'The Changing Use of Land in Britain.'



has brought large scale unemployment to certain regions; therefore the introduction of as many new industries as possible redresses the lack of balance. All the classic reports abound with exhortations to achieve a balanced or diversified structure. The Board of Trade was guided by this principle. The result was new industry developed on the pattern of a patchwork quilt.

Only the most primitive kind of location planning is used by parent firms assessing the relative merits of various sites for their branches, even accounting for only their own, and not total social advantage.<sup>26</sup> For its part, the Board of Trade has made no attempt to weigh up total social benefit, except on the most intuitive basis. It is important to appreciate that most movement, and the weight of industrial expansion, comes through already existing firms whose location, as far as the headquarters of the parent firm is concerned, is far from the depressed area. The reason for agreeing to expand in a depressed area is, for many, the availability and price of land and labour. It is not because of local suppliers or local markets that a particular depressed area location is chosen. In Durham many different interests, including Mr. Quintin Hogg's Regional Plan, recommend the best locations to be up the spine of the A1, which will help new firms continue the practice of existing ones, of bringing up their components and sending down completed products to and from the parent firm. When putting forward the idea of communication links outside the region of this way, these interests are similarly under the spell of the myth of 'diversification'. Attention has often been drawn to the vulnerability of branch factories in a recession, the more so the less self-contained they are. These factors are particular to the firm concerned. Few studies, however, have shown how the branch factory's dependence upon the parent firm fails to bring about the external benefits that might have resulted, perhaps from the very same plant, if it had been part of a localised complex of firms.

### The Local Industrial Complex

People in high places seem to be drifting into a sense that something may be wrong, though one doubts if they quite realise how deep the fault is. For instance, the NEDC has suggested the 'development of industrial complexes', and the Board has learnt one or two lessons from its experience of the motor industry. In Scotland, local sheet steel and aluminium is being supplied for the motor-car industry, but very few components are coming from local firms. Mr. Whitehouse, the Controller for Scotland of the Board, did 'not think that the firms which made the 101 specialised small items in the Midlands would find it economic to move'.<sup>27</sup> Only 20 per cent of the 1150 or more separate components or ancillaries required for the Rootes

<sup>26</sup> W. F. Luttrell—'Factory Location and Industrial Movement.' NIESR. P.79. 'We should have liked to have given an example of a classic case of location choice in which operating cost estimates were made for two or more possible places, all imponderable or non-cost factors assessed and there found a way of comparing good and bad points of one place with those of the other. Unfortunately we have not been able to find such a case.'

<sup>27</sup> 'Estimates Committee.' Ibid, P.159, para 975.

Group 'Imp', made at Linwood, are made in Scotland.<sup>28</sup> The motor car industry throws the spot-light on a trend that was long prevalent. Where firms assemble or manufacture the final article which is then passed to the consumer, more public notice is taken than where a single component is manufactured in the depressed region and then passed to its assembly point down south. The latter case is probably more common than the former. Despite the importance of this phenomenon no surveys have been made to show to what extent firms import their inputs and export their output outside the region where they are located.

Part of the assumption about diversification has been that all interlocking industrial patterns achieved in a localised area are a form of specialisation which contain the dangers of imbalance. To some extent this is right because all very tightly interlocked industry is so interdependent that if one part of the system fails it takes down all the rest and, of course, vice versa. There are these dangers in excessive specialisation, but they can be exaggerated, as Professor Sargeant-Florence has pointed out. He has written in 'The Logic of Britain and American Industry' that the desire for a 'balanced' industrial structure is in danger of becoming a fetish and of throwing away the economies of local specialisation. The pursuit of private profit does not violate the logic of social stability when it so localises an industry that the area specialises in producing for common, stable consumer wants'.<sup>29</sup> He has realised that there are still economies in local specialisation to be exploited, but he has not stressed the dynamic of interdependence. Since interdependence is a relative concept unlike specialisation, not all such industry is highly product specialised. The growth of the multi-product firm and the similarities in the technologies of manufacture of broad ranges of products can introduce a certain degree of balance into a nonetheless highly interdependent system.

To sum up, there are two reasons why the principle of 'diversification' was the wrong target. There is first the Sargeant-Florence argument that there are advantages in specialising to some extent in successful basic or heavy industry. 'Burton-on-Trent specialises in beer but need not fear a slump.' Then there is the second point that over-concentration on diversification has detracted attention from what should have been a main policy aim, that is, to create in the depressed regions 'dynamic interdependencies'. In the prosperous regions of the country, such as the Midlands and, to a growing extent in one depressed region, Wales, there are such interdependencies which do not entirely violate the principle of balance because of the heterogeneous nature of the modern firm.

#### (4) THE VOLUNTARY PRINCIPLE

A consistent theme which has run through the whole history of policy in this field is the reliance placed on the voluntary movement of industry

<sup>28</sup> 'Times Review of Industry,' July, 1963.

<sup>29</sup> Professor Sargeant-Florence—'The Logic of British and American Industry.' P.90.

to fill the needs of the depressed regions. Market forces have not been sufficient so various kinds of subsidies have been paid. The price mechanism was thought to be deficient only in one respect, the final indicator price. It is still considered that marginal influences on the cost structure of firms, on the supply price of industrial enterprise, can be the main weapon of control. With a few exceptions the same adherence to this principle has characterised the policy makers in all non-communist countries. It has become as much an act of faith as nationalisation for some Socialists, and in this instance with much less empirical justification.

No government has so far been willing to tolerate the compulsory movement of privately owned industry. The 1945 Labour Government used a series of negative controls; in particular, Industrial Development Certificates and Building Licences. Only I.D.C.s have been used under the Tories. The acute shortages immediately after the war, which made the building licence such a discriminating control, are not likely to occur again. Despite the fact that there has been laxity at times in the issuing of I.D.C.s in areas where expansion could be limited, 'the number of "footloose" projects coming forward at any one time is not large and failure to attract an I.D.C. for a non-development district does not mean that such a project will be available for a development district'.<sup>30</sup> Most firms want expansion to take place nearby and many have to by the nature of their activity. It is difficult to say how many of those firms granted I.D.C.s in the prosperous regions could, without cost discrepancy, move to the depressed areas, or how rapidly returns diminish with increased movement. Cost analysis of firms who have moved are not a good criterion to judge effectiveness of new incentives.

### Grants and Loans

The means by which assistance is given is through government grants and loans. The loans are repayable, so that the net subsidy here is the availability of capital (which is another way of saying a lower rate of interest), an interest-free loan period, and the grant. These have so far been supposed to represent the extra cost to the firm of building in the depressed region. Out of a general present average cost to the State of £1,000 per worker the average net subsidy is only about £250, a quarter of the total.<sup>31</sup> If this fraction is taken as a constant, then at no time can it be said that the sums paid out by the government have been large, even under the Labour administration up to 1951.

The government admits that the money laid out under its present measures has not been sufficient, and the NEDC report backs up the calculation. The depressed regions have not been made competitive with the prosperous regions. Now, under the latest measures, the grant, as distinct from the loan, will be raised, and industry will know more clearly in advance what it will be likely to receive. Public services expenditure has gone up

---

<sup>30</sup> Letter from the Board of Trade to the author, 2nd April, 1963.

<sup>31</sup> *Ibid.* 'Conditions'. NEDC. P.18.

dramatically also, in order to increase the value of the subsidy. The great dilemma for any government under the present arrangements is that if the subsidy is increased to the point where industry is attracted, it going to prove expensive. Even now, as a result of the 1963 budget proposals, on an estimate by the 'Economist', 'reliefs and subsidies may well be of the order of 80 per cent of the value of an investment'.<sup>32</sup> if, however, the cost to the government does not rise then the scheme itself has failed. This dilemma is part of the reason why there has been a 'stop-go' policy all to itself for the depressed areas, and explains why expenditure was curbed in 1956 just when policy was becoming effective. Such dilemmas are inherent in the very idea of financial incentives.

A subsidy, to be successful, would not only need to cover the difference in building costs for the firm to establish in the depressed region rather than the area of its choice, but also the expected continuing difference in the fixed profit margins. A public enterprise would not have to make an 'extraordinary' profit, but only a 'normal' rate of return on invested capital. The reasons for this are important. The first is because the depressed areas have created a market for the supply of expanding or newly established firms. That this is so is indicated by antics of local development councils or their equivalent and differential bribes offered by the government to such firms as Colvilles and the motor manufacturers, compared with smaller firms, to set up in the depressed areas. Industrial development is scarce and therefore a high price has to be paid to attract it to unpopular locations. Even if an area is not unpopular a powerful and large firm can act as if it is and exact its price accordingly. The five motor firms received £44.5m. in loans and £3.4m. in grants. In addition one must take into account such costs as expansion into the Green Belt. Secondly, the cost to private industry is likely to be higher, especially for small-scale development. Where initiative is at a premium, extraordinary initiative must cost more. One of Keynes' conceptual innovations was the idea of 'expectations'. Private firms will demand a higher rate of return even if costs are the same in two locations as long as business men 'expect' them to be different. Firms that set up branch factories will want compensation for any increased running cost and a cover for the external benefits they may not have by virtue of an isolated position. They will also want extra capital to guard against the greater indeterminacies of individual development. These would be removed in the case of a planned industrial complex, either under State development or with a very large firm such as I.C.I. at Wilton. The conclusion to be drawn is that if financial incentives are to be successful they will need to be unnecessarily high compared with what the State could undertake if it so decided.

### **Waiting for Godot**

The 'growth places' chosen by the Government in their regional policy White Papers on central Scotland and the North-East are governed by

---

<sup>32</sup> 'Economist,' 6th April, 1963.

the voluntary movement of industry. They are not those which would have been best suited to help the most depressed sections of the regions, nor those necessarily which correspond to the best planning principles or the distribution of settlement over the countryside. Many large areas have been sacrificed within the regions so that industry should voluntarily move.

With the voluntary movement of industry, the Board of Trade has to wait passively for the industries to come along instead of being able positively to influence the pattern of industry. Financial estimates in the House of Commons are consistently larger than expenditure because spending depends, according to the Board, on 'consumer reaction'.<sup>33</sup> Persuasion, low financial subsidy, and advertisement is not, as we have seen, positive enough. Few really comprehensive surveys of the economic resources of all the main regions have been made. According to a senior official at the Board of Trade 'Surveys of the advantages and disadvantages of particular areas for particular industries have not been carried out, but with the powers at present held it is probable that preconceived ideas as to the 'best' firms for a locality would have little chance of being realised.'<sup>34</sup> In the Estimates Committee investigation the Board's representative told <sup>35</sup> how they helped with the organisation of the activities of small firms in an attempt to get them set up on a sound footing. Nominees from the Board of Trade Advisory Committee have been appointed directors of two firms. These trends should be noted and encouraged, rather than hidden under a bushel.

The accepted merit of private enterprise development over all other forms has balked progress in other countries as well as in Britain. France and Italy have encountered similar difficulties,<sup>36</sup> in the latter case despite statutory ruling on State investment provision for the south. This last ruling has only recently been given teeth, but it is still doubtful if it will be sufficient, because the range of State enterprise, though wider than in Britain, is not wide enough to allow it to engage in an unlimited field of activities. Italian firms demand comparatively high profit margins in the south, from between 12 to 15 per cent, which doesn't include the substantial subsidies given by the Government in that country. In an O.E.C.D. publication,<sup>37</sup> Pasquale Saraceno put the case for his country which so well could apply to our own. 'The Government should not assume risks which allow private capital to earn risk-free profits. The Government cannot assume the major part of the financial and risk burden and leave the firms' management to

---

<sup>33</sup> 'Estimates Committee. Ibid. P.XIV.

<sup>34</sup> Letter from Board of Trade. Ibid.

<sup>35</sup> 'Estimates Committee.' Ibid. P.193, para 1164.

'I think one thing that should be said here is that a lot of those relatively small people would not have survived without the help of the Board of Trade's accountants and technical officers. The amount of work these people have done for some of the new concerns is beyond praise.'

<sup>36</sup> 'Regional Development in the European Economic Community'—PEP, 1962. Allen & Unwin, Pp. 37 and 52.

<sup>37</sup> 'Methods of Industrial Development'—OECD. P.238.

private enterprise. There is a strong case here for Government to assume direct and profitable entrepreneurial responsibilities.' There is an implied assumption in Mr. Saraceno's idea that private industry cannot be directed.

### **Direction of Industry**

If industry was directed what would be the consequences? Firstly, private firms would be asked to bear risks that they had not voluntarily undertaken themselves. Some of these risks could be ironed out in negotiations and hostility reduced by only using direction as the sanction of last resort. Carefully planned direction could also reduce a lot of the risk. Nevertheless, it is difficult to see how the resentment could be easily overcome as it would need to be for the enterprise to be successful. A major disadvantage in relying on direction would be that only existing or planned development by private industry would come into the net, and this is limited and variable; these disadvantages would increase with direction as less expansion programmes would come forward than before. Direction of industry has been equated with direction of labour, but there are differences. Another disadvantage of direction of industry is that it involves the setting up of branches far from the parent firm, with the results already described. Incidentally, for those interested in the possibility of workers' control and decentralisation of industrial power, direction is not very helpful. The ideal form of industrial organisation for local control is vertical integration within regional boundaries.

British policy has been voluntary movement, plus negative controls and subsidies, because of fear of direction of industry. The classic solution to such a dilemma is to deny that only two alternatives exist and to assert a third possibility. This is, as Saraceno put it, for 'Government to assume direct and profitable entrepreneurial responsibilities'.

### **(5) THE HEGEMONY OF THE BOARD OF TRADE**

The Board of Trade has at times been a hindrance to progress and on other occasions simply a neutral force when events dictated the stretching of every available power open to them.

Since the end of the war the Board of Trade has had sole executive responsibility for the administration of the Distribution of Industries Acts. Planning permission, which is seldom refused in any depressed area, can only be given after an I.D.C. has been granted by the Board. The Industrial Estates Corporations derive their powers from the Board, and only build factories on instructions from it. Industry could, of course, have set up where it wanted in the depressed areas with only local authority consent, but it needed the Board's sanction for the various Government subsidies to be offered. Few firms are willing to go without subsidies if others could obtain them. The dozens of different empty or near empty industrial sites scattered around the depressed areas, demarcated by every local authority, are just a homage to their own hopes. Even depressed area New Towns Corporations such as East Kilbride, Newton Aycliffe and Peterlee, had to

place themselves under the good auspices of the Board. In the case of Peterlee New Town, an independent stand was attempted, but it was firmly put down at the time of designation by the then Regional Controller. Dependence upon a highly conservative Government Department has resulted in either the complete sterilisation of all initiative or attempts to break out and take an individual line. Peterlee once engaged in secret advertisements without letting out who they were. Local authorities are more open and some have appointed industrial officers, such as Sunderland, and others have put national advertisements in the press. Such tight control by the Board would only have been acceptable if all statutory powers had been fully used, or if the Board had been a progressive arbiter in the national interest.

Powers that have been available have on occasions not been used. Money granted in estimates has not been taken up; sometimes less than half the estimate has been used. Only the most reactionary heart in the Treasury can laud this situation. Clauses in the Acts have rotted for want of use. One example is the grant to be given for provision of services under the old 1945 Act. On many occasions Peterlee put in for this aid but was refused on every one. Of course, behind the financial stringency of any department lies the grey eminence of the Treasury which reflecting government policy, was often the culprit. Nevertheless, the fact that estimates were often not fully used reflects a similarity of attitude in both departments. If the Board had monopolised power and exercised it to the full, there would have been less criticism. As it was the Board with a less than forceful approach gave way to particular local interests.

The Board has, in the depressed areas, adopted the line of least resistance and bestowed its patronage on the loudest voices. During expansionary periods in the national economy it has at times acted as a restrictive force on development in the depressed areas by protecting existing industrial interests from potential competition.

### **Long-term Planning**

The Board has been insufficiently interested in long-term planning and the wider implications of its location responsibilities. Little or no notice has been taken of much fruitful research into the problems of development in other countries, or of the similarities in theory of depressed and underdeveloped areas. No long term resource planning has been undertaken in order that the areas under its guidance are fully exploited economically. Making sure explosives factories are not located near settlement is about the limit in their concern for the preservation of amenity. It is well known to what extent there has been conflict between the Board's aims and those of town and country planning; how industry has been encouraged to either scatter in the hinterland of the depressed regions or crowd into the big towns with large over-spill problems. Office development has also been persistently neglected, lying outside, as it does, the Board's responsibilities. The Board could claim that it has been limited by the provisions of the

statutes, but one answer to this is that the government must have taken the advice of the officers of the Board in redrafting the statutes before and since the 1960 Act became law. The 1960 Act also stipulates that employment can be provided in areas outside a Development District which are within travel to work distance, or house its overspill. The first provision has been marginally used and this gives fractional flexibility, but the second has been almost totally ignored.

Most of those who have responsibilities for administering distribution of industry policy in the Board also have other duties and only about a third of their time is given to that work. Dame Irene Ward rightly complained in the House of Commons that the Board was 'predominantly a Department which deals with general commerce'<sup>38</sup> and was therefore not the right body to manage location policy. It is ironic that, in an I.L.O. pamphlet on unemployment, the Board was held up as the model administrative agency for these tasks. This study, in the same paragraph, stressed the dangers of 'fragmented administrative machinery', and praised regional programmes which combine 'simultaneous action in the technical, economic, social, demographic, cultural and other fields'.<sup>39</sup> Two years after this report was published the Board has made up its mind that these may well be its functions.

### Summary

The purely pragmatic approach to depressed area legislation was useful at a time when economic theory was not only more primitive than it is today, but decidedly wrong for the conditions then applying. To continue with the same principles, little altered, today is not even being a good pragmatist. If one bothers to trace the continuing reappearance of the 'Five Shibboleths' throughout the expression of official views over the years, how strongly the impression emerges of conservatism, rigidity and unswerving respect for the hallowed traditions of dealing with these matters amongst the bureaucrats of government. A radical sweeping away of old policy is necessary.

## 4. What's to be done

A DISTINCTIVELY regional policy is necessary to solve the problem of the depressed areas. The extent of one's partisanship for regional planning depends on quite deeply held principles—economic and political in origin.

To discuss the best form of regional administration would invoke arguments covering a wide range of peripheral subjects, important in their own right. Regionalism implies a system of economic and physical planning as well as a changing relationship of government, both central and local.

<sup>38</sup> Official Papers, No. 590, Col. 1222.

<sup>39</sup> 'Unemployment and Structural Chance'—ILO, 1962. P.156.



It implies inroads into the present system of Civil Service administration and even fiscal reform. All these cannot be covered in a pamphlet of this size, but this will not prevent firm proposals being made, in spite of their ramifications.

### Growth Points

The main, but not the only general principle that concerns the location economist in the planning of settlement in relation to industry, is that there should be a sufficient concentration of economic and social capital in at least one part of the region to reap the maximum external cost and income economies. All the region's industry does not need to be located at this point<sup>40</sup> as long as communications are good and there is dependence on the centre. Patterns can be radial or string-like.<sup>41</sup> Development can be in the form of Letchworth or Cumbernauld New Towns, or town development like Basingstoke. Whichever choice is made it should be a rational one opted for through democratic channels, not just an amalgam of the most strident voices, or a consequence of the need to titivate the appetite of footloose industry. The question of whether physical or location planning should come first is unimportant as long as there is sufficient scope for confrontation of conflicting aims and due weight is given to factors other than economic which 'improve the total environment'.<sup>42</sup> These principles give much greater scope for choice than is inherent in the present Government's policy on 'growth points', to which it has made a timely conversion.

### Planners and Plans

Firstly, a plan is needed for each major region of the United Kingdom and a staff of planners. Whatever regional authority was set up could engage the necessary staff, which would need to be permanent to keep the plan flexible. In making the Belfast Regional Survey, Professor Sir Robert Matthew concluded, 'It need hardly be pointed out that if regional planning is to become a permanent and important part of the function of Government, the Survey must be a continuing process. . . . Circumstances change; flexibility of planning to meet these changing circumstances will be impossible without continuity of Survey.'<sup>43</sup> The plan should not only be for physical details and land use, but also economic in the fullest sense. It almost surpasses belief that the Belfast Regional Plan was made 'without benefit of wisdom from the Joint Working Party on the Economy of the Province. In an ideal situation,' Sir Robert complains, 'the physical plan of campaign, the proposed pattern to which future development would be expected to conform, would be the outcome of a co-ordinated series of studies of the kind now being promoted in relative isolation'.<sup>44</sup>

<sup>40</sup> See, for instance, 'British Industry and Town Planning'—A. Goss, Fountain Press, 1962, final chapter.

<sup>41</sup> 'The Guardian,' 23rd April, 1963. Article by H. Rau, 'National Prospect'.

<sup>42</sup> 'Journal of Town Planning Institute,' June, 1963, M. J. Wise, P.170.

<sup>43</sup> 'Belfast Regional Survey and Plan. Recommendations and Conclusions, Government of Northern Ireland, 1963,' Cmd. 451, para 209.

<sup>44</sup> Ibid. para 23.

The economic plan will need to be based first on a survey of existing local resources. Such a survey will have a different orientation from those carried out in the past and incorporated in Development Plans, land use and soil surveys. These are mainly based on work done pre-war by the Land Utilisation Survey, and in the war as a result of the Scott Committee. Since the war 'research in these fields has made some, but limited progress'.<sup>45</sup> More work on the lines the Elgood Committee began in Scotland in 1960 is what is required, an investigation of present and potential resources in terms of their economic exploitation. Even that Committee, in the time they had available, could only pinpoint the areas of deficient knowledge and activity. Much information exists but 'no single agency has hitherto been responsible for the wide range of problems involved. There has, therefore, been a danger, not only of faulty co-ordination, but of some neglect of those areas which fall out with the day to day interests of departments and local authorities'.<sup>46</sup> All survey work must be co-ordinated so that it is continually being kept up to date as urban spread continues and agricultural and mineral resources change their shape through use and misuse by man. The land use or preservationist elements in the survey are less important than that a continual examination should be made by the planners of the economic potential of resources, a facet not given due weight by the Trend Committee. Then, what might not now be economic could be, if industrial, social and human capital are invested in the right areas with the correct balance. The essential point is that there should be persons knowing their regions, with the information within reach, who can assess the economic potential of resources to the State, in terms of total social benefit. If the Trend Committee suggestion of a National Resources Council is taken up, then there should be regional committees of this body on whom the major work should devolve.

### **Regional Statistics**

Each region will want to have the use of a fuller range of statistics than are now available. There have been continuous complaints by economists and planners that already published sources are insufficient to judge regional policy. For instance, NEDC in its 'Orange' report<sup>47</sup> had reason to grouse that the figures of public investment are not available for each of the Standard Regions. Urgently needed are input-output tables for each region showing internal trade flows and the relation of each with every other region. Statistics are the tools of the planners' profession. Even with them it is difficult enough to predict the course of the economy for the future; without them it is impossible to make a start.

The essence of every plan is the timing and listing of major developments. The development and, to a large extent, the siting of social investment ought to be determined by relating it to the points of economic growth.

<sup>45</sup> 'The Land of Britain,' 3rd Edition. L. Dudley-Stamp. P.485.

<sup>46</sup> 'Committee of Enquiry into the Organisation of Civil Science.' Cmd. 2171. P.34.

<sup>47</sup> 'Conditions Favourable to Faster Growth.' NEDC, 1963. P.26.

Despite the fact that many other local and regional authorities will have a stake in such developments, the ultimate decisions on siting should be with the Regional Authority. One of the clearest cases of the need for co-ordinated decision making is in the North West, where powerful local authorities converge and where housing, and especially new industry, are required for the Merseyside.

Until the art of controlling the economy is perfected, continuous growth without either inflation or depression cannot be assumed. Besides the continuous flow of developments, the plan should contain a list of projects which can be halted without major difficulty, as well as a similar list of impact developments which can reverse the worst effects of a regional downturn of the income multiplier and absorb some of the unemployed. Timing and phasing of projects is also important. The Town Planning Institute has recently given an example of how the timing of well-planned projects can go awry in the execution stage. The Rootes factory at Linwood is scheduled to be at maximum capacity in two years, whilst the town where the workers are to be housed is programmed to be built over twenty years,

### **Employment Needs**

The NEDC report 'Conditions Favourable to Faster Growth' has a confusing estimate of between 200 and 300 thousand jobs in five years. The estimate should be criticised as it reduces the unemployment percentage of the 'non-prosperous' regions by only one-third (even if employment was provided for a number amounting to all the unemployed, the percentage reduction would be much less, due to the return of emigrants); it ignores the unemployment in all other regions in England but the Northern; it raises the activity rates by only half the difference between each non-prosperous region and the prosperous regions; it takes 1961, a year of low unemployment, as a base year; it does not allow for higher redundancy rates due to automation; it presumes that migration would stay the same instead of reducing it, and ignores the natural increase in population.

The figure is, therefore, not to be given much currency. My estimate does not take account of the fact that "every projection (of population) which has come from the General Register Office since the war has been greater than the one before. It may well be that the next one is higher again".<sup>48</sup> The estimate also cannot account for the speeding up of technological change and its consequences on automation redundancy. The result is, therefore, on the conservative side. The figures are based on very general assumptions. The only merit in them over the NEDC calculation is that they take into account more factors and do not, as the NEDC figures seem to, start with a politically possible number and prove it is 'not impossible'<sup>49</sup> to reach.

---

<sup>48</sup> 'City Regions'. J. R. James. Town and Country Planning Summer School, 1962.

<sup>49</sup> *Ibid.* N.E.D.C. P.16.

## EMPLOYMENT TARGETS

Region	Reduction in unem- ployment rate* 000s.	Reduced immigration 000s.	Increased activity rate 000s.	Population increase 1961-1966 000s.	Total 000s.
North	27.7	6.9	129	44.1	207.7
Wales	15.1	3.8	210	35.7	264.6
Scotland	48.2	12.1	72	70.3	202.6
Northern Ireland	28.9	7.2	107	19.4	162.5
Merseyside	20.0	5.0	-18	18.8	25.8
<b>Total</b>	<b>139.9</b>	<b>35.0</b>	<b>500</b>	<b>188.3</b>	<b>863.2</b>
To allow for jobs lost due to automation					13.5
<b>Grand Total</b>	<b>By 1966 to provide the following number of new jobs corresponding with NEDC targets. (a more effective target date would be 1980)</b>				<b>876.7</b>

\* To the average of the prosperous regions in 1962.

### Industrial Linkage is an Aid to Growth

There ought to be more investment in industries which have an industrial linkage either of product or of technique. Methods of regional analysis are only just beginning to find a foothold in this country.<sup>50</sup> Very little information has been collected for British industry on either of these subjects, though the statistical raw material for analysing product linkage is available.<sup>51</sup> The inter-industry possibilities are widespread if there are producers to make use of them. Looking at national input-output figures we find that printing and publishing take 34 per cent of total intermediate output of paperboard. Coal mining and specialised machinery firms, as well as a host of light industries, will buy or sell to that industry. The wider

<sup>50</sup> H. W. E. Davies and D. F. Hagger, 'Journal of Town Planning Institute,' November, 1961. See also 'District Bank Review,' December, 1962. 'Growth Industries and the Regional Economies'—G. Humphries.

<sup>51</sup> Input-output Tables for the United Kingdom, 1954. Board of Trade and Central Statistical Office.

the circle spreads the more diversified is the structure, yet the original growth base is quite narrow—local timber. This illustration explains why the Wiggins Teape paper board factory at Fort William is a sound proposal.

Planning possible second uses for the same technical equipment and skills provides a safeguard against changing demands. Whisky and plastics are made by similar technique. Recently, the Ministry of Works pronounced that shipyard skills are the same as in the mass production of building components. Research like this could well be sponsored on a regional level.

If specialisation around a technique or a product is going to take place, a certain degree of allocation on a central level will have to be made. This is another reason for making sure that regional bodies are subject to a large measure of central government control in matters of allocation and arbitration between the regions. Local resources, of course, allocate themselves, but not so modern industry where the 'technical' content per unit of cost is high. For instance, there is no need for electronics firms to locate all together; they should be allocated according to the kind of industry to whom they supply most of their goods. An electronics group of firms could well settle in Wales or Northern Ireland, supplying local markets and catering for the highly specialised needs of these markets; or alternatively they could be planned to go to various port regions to concentrate on certain specified foreign markets.

### **Automation and New Industry**

In the depressed areas should planners aim specifically to introduce labour intensive industry? This is the recommendation of the Hall Report on the Northern Irish economy and of many other reports. It is the obvious answer. One counter is that there are fewer and fewer of such industries about, and a second is that the regions would be placing themselves at an economic disadvantage. The left has absorbed Marx's dictum that 'Right can never be higher than the economic structure of society'.<sup>52</sup> Many still believe that economic progress will ultimately help man to be more free socially. If this is true then we must welcome automation, even in the depressed regions. In the long run the effects of automation must be felt more and more deeply. Automation technology wipes out jobs—it cannot be said often enough.<sup>53</sup> The late President Kennedy has been quoted as saying that a million jobs a year are lost through it in the United States, though the problem here is not yet as serious. The economic problem is more easily solved than the social. Occupational mobility and adult retraining have been often stressed<sup>54</sup> and should be stressed again. 'It must be repeated, however, that no amount of retraining or upgrading can solve the problem of unemployment if there are inadequate general employment opportunities

---

<sup>52</sup> 'A Critique of the Gotha Programme. I.'—K. Marx.

<sup>53</sup> 'New Society,' 23rd May, 1963. 'What Automation Does'—H. Goughlin.

<sup>54</sup> 'Redundancy in the Affluent Society'—G. Goodman. Fabian Tract 340.

because of a low level of aggregate demand.<sup>55</sup> The United Nations World Economic Survey states the problem but does not solve it. The major economic question is how to maintain aggregate demand on a local or regional level if employment incomes fall. It can be solved only if the unemployed have incomes nearly equal to the employed, or if some have sufficiently high incomes to make up the deficiency of the low ones. The first would imply a social revolution and the last severe political unrest. Our choice needs to be a clear one and must be uncompromising. The social ills of having well-paid workers and a hard core of unemployed are only just coming to light in America. We are forewarned. The worst problems of cost-push inflation may be over, even in the prosperous regions, and other questions more profound in their political implications may be upon us. The widespread nature of the phenomenon of automation gives further grounds for making regional policies applicable to the whole country and not to certain areas with physical planning problems alone.

### More State Enterprise

One of the most important conclusions which emerged from the discussion of the 'five policy shibboleths' is that state enterprise development should replace monetary incentives and negative controls as the main leg of location policies. Private industry should be given every opportunity to fill the void, but if national and regional plans indicate scope for investment, and it is not otherwise being undertaken, then state factories or offices should be built and staff taken on to run them.<sup>56</sup>

Sponsored scientific research which resulted in important innovations could be followed up immediately in the state factories. Though private industry should not be discouraged from exploiting the products of state research, one situation that would have to be avoided is where the state is left with the riskiest undertakings after the big private companies had creamed off the high profit opportunities. The factories would need to be operated and run on a regional basis, but conforming to national plans. The most easily established economic organisation of state-run industry is one with vertically integrated processes, where all but the final market is by-passed. This is, in fact, the essence of the argument for dynamic regional growth.

State enterprise could ensure that industrial development was built up in locations, firstly where it was most likely to fit in with the local environ-

<sup>55</sup> 'World Economic Survey, 1961.' United Nations. P.82.

<sup>56</sup> It was remarkable that in a recent OECD publication which usually has the most orthodox views, this recommendation was made: 'In general when the primary objective is to accelerate national development, the State should not hesitate to establish productive enterprises wherever private enterprise is unable to exploit fully the national resources. Such government or public enterprise need not be limited to establishing infrastructures; it may include developing certain manufacturing industries'. 'Methods of Industrial Development'.—OECD. Ed. Winsenimus, P.326.

ment, and secondly where it would most conform to social and national requirements. For the first time industrial development could be almost guaranteed where and when it was most needed. The shortage of sufficient industry has been the major factor in the failure of overspill and location policies. With an acceptance of state enterprise these twin problems can be resolutely tackled. Indeed, long distance overspill becomes a practical possibility instead of just a town-planner's pipe dream.

State enterprise would undoubtedly make the uneasy relationship that exists between public and private industry more acute. However, much of the unease is based on the continuing myth of a free enterprise economy. The 'boom-bust' movements of the economy account for a good deal of the insecurity of industry, affecting, as it so happens, nationalised concerns and other basic industry more than the rest. Planned expansion will itself reduce risk. Then again, the state already assumes so many 'risks' in its policy of subsidising, loaning to, promoting, and advising the development of private industry, that this marginal move will not be such a new departure from precedent as the public has been led to believe. The significance of the Lancashire cotton reorganisation scheme, the forced amalgamations of the aircraft industry, the subsidising of Colvilles, Cunard, and the motor firms, has been insufficiently appreciated.<sup>57</sup>

The principle new element is that state and private enterprise will exist together in the same industry. First, the association is not likely to inhibit development or innovation. Renault, the French nationalised motor-car firm, has become a model of its kind; it has forced the pace in both technological innovation and pricing policy. In Britain there is a host of well-accepted minor confrontations like Thomas Cook & Sons, the Public Trustee, Tillings buses and H.M. Stationery Office. We cannot assume there will not be any opposition, especially in heavily concentrated areas of the market. For instance, in the case of steel and road haulage, direct competition was avoided by denationalisation, and also by an escape through the 'C' licence vehicles in the second case. As long as the nationalised industries are the servants of private enterprise, there is a degree of tolerance. John Hughes has shown how the Government has been willing to allow industrial consumers and suppliers to exploit the nationalised industries as a 'sop to Cerberus'.<sup>58</sup> It is piquant, therefore, that state enterprise could be the most potent force for competition in an economy already heavily monopolised.

### Finance

From the standpoint of the country, as distinct from the State sector, there need be no inflated expenditure involved in these recommendations.

---

<sup>57</sup> For details of these events see 'The British Economy in the 1950s',—G. D. H. Worswick and J. P. H. Ady. Oxford U.P.

<sup>58</sup> 'Nationalised Industries in the Mixed Economy'—John Hughes. Fabian Tract No. 328.

Heavy expenditure on incentives will be unnecessary, saving the £20 million yearly in the depressed regions as advocated by NEDC as well as the cost of unemployment benefit and assistance in these areas of £37 million in 1962.<sup>59</sup> If the decision was that capital investment was to remain the same proportion of national resources as in the NEDC plan for 1966 (16.7 per cent),<sup>60</sup> one then allocates between the public and private sectors within these limits. Although NEDC has played safe and not altered the proportions in their plan, it is unlikely that it can be followed if these proposals are to work. The consequences will be that the proportion going to the public sector will increase.

The major problems will only arise in periods when the Government is concerned to check expenditure. However, it is likely not only that the proportion between consumption and investment will then alter, but also that expenditure in the depressed areas might be regarded as wholly non-inflationary. The last point will only be completely true if the depressed areas are economically 'self-sufficient', and this is highly unlikely, especially in the early stages of the proposed developments. (The facts can not be known until statistics showing the external relations between regions are worked out.) For instance, how much is the outflow of capital funds from the depressed areas? Capital is scarce and will have to be controlled in the prosperous regions so that expenditure can be made in the depressed ones. Those regions that have benefitted from the absence of effective controls on the location of industrial investment must now be prepared to sacrifice a little of their increasing prosperity to help the unfortunate sections of the country.

The second reason why industrial growth will need to be curbed in the South is because of congestion and the ills of urban sprawl and not because industry is needed in the North. For these reasons the use of Industrial Development Certificates should be continued, but in a tougher manner to cover office development more effectively than under the Government's latest measures. To overcome the problem that those granting the certificates will not know the intended purposes of the proposed offices, a list of these could be made and the I.D.C. would be temporary until use was confirmed. The Land Commission proposed by the Labour Party to be set up to acquire 'development freeholds' would be a useful agent in this respect, either acting as the intermediary for the planning authority or, in the case of office development alone, being given executive powers to withhold 'change of use' rights. If it became difficult to control private investment by these means, the unpopular but highly successful building licence scheme, operative in the early years of the post-war Labour Government, could be re-introduced. Economic growth will remove many of the purely economic reasons for restricting industrial expansion in the South until improving the social environment remains as the sole criterion. The

---

<sup>59</sup> *Ibid.* NEDC. P.18.

<sup>60</sup> 'Growth of the United Kingdom Economy to 1966'—NEDC. P.32, Table 9.



link that the Barlow Commission Report of 1939 drew between the industrial growth of the South and the decline of the North will be finally broken and the reversal of the trend for one will not depend on restriction of the other.

### **Tariffs**

It may appear that the logical conclusion is a tariff barrier between the regions. This is far from necessary. Firstly, the higher degree of 'self-sufficiency' recommended has not precluded the idea of basic specialisation in the regions. Insofar as they do specialise, trade is essential for their prosperity. Secondly, the suggestion to invest in new industries and social capital in the depressed areas is in order to make them competitive and equal in living standards with the other areas; it is not to isolate them permanently. Tariffs could be used as a temporary protection for 'infant industries'. However, such imposts once erected are not easy to remove. They are also, if temporary, and where no administrative arrangements have existed before, very expensive and irksome to operate. The only case that could be defended here is for a tariff between Northern Ireland and the rest of Great Britain. The position of underdeveloped countries may be analogous in theory with the case of the depressed areas in Britain, but the extremity of their needs, the deficiency they have of any industrial base and the dependence on primary production makes a tariff barrier a sound practical proposal for them but not for us. Tariffs are also less necessary now than they would have been, say in the nineteenth century, for both the State and the large firms can withstand the high initial costs of development, which may have been impossible with 'free trade' for a small firm. With tariffs, there would also have to be some official restraints on intra-regional capital and money flows. As there are dangers in high imports in a low income region, so are there also if capital outflows are persistently and increasingly greater than inflows. The Hall Committee has commented, even approvingly, on this situation in Northern Ireland.<sup>61</sup> We can agree with the inadvisability of restraints without condoning the position which prompted their recommendation. Local savings should be mobilised where possible by calling on the co-operation of the banks which, because of their branch network, overcentralise the distribution of capital. A small regional credit committee of the planning body, on which the banks were co-operating members, would probably suffice.

### **How Many Regions**

This is likely to be the first question anyone interested in their own locality will ask. There will probably be a good deal of agreement about the major part of the areas to be allocated and it is only at the margins that dissent will arise. The problem, then, is of little importance. As H. W. E. Davies has written, all that is necessary is that the regions 'must be a valid

---

<sup>61</sup> Report of the Joint Working Party on the Economy of Northern Ireland.

and rational sub-division of the country'.<sup>62</sup> The original Standard Regions were devised for war purposes to be Civil Defence areas. They have been amended since, but they still do not all correspond to local authority boundaries. The number that has existed since April, 1962, when the Ministry of Labour made some changes, seems adequate. There are eleven of these to cover the United Kingdom. The Southern Region could perhaps be carved up and served to the Midlands, the Eastern and the London and South Eastern Regions to aid the planning of the London conurbation.

The aim of regional policy should be the removal of disparities in living standards between one part of the country and another. 'Regional development by no means implies industrialisation of every region and locality, nor does regional balance aim at identical conditions for each region.'<sup>63</sup> The Highlands and Islands of Scotland do not require the same degree of primary industrialisation as the Lowlands.

There are essential 'physical planning' principles at stake here, too, which will determine the number and type of regional administration. There is first the argument that the unit for regional planning should be the existing 'City Regions'. Support for this view comes from the Ministry of Housing and Local Government and the Town and Country Planning Association. The second case can be represented by the arguments of D. Rigby-Childs put forward in an imaginative series of articles called 'Counter-drift'.<sup>64</sup> According to his 'balanced region' theory, suggested in these articles, every region has equal possibilities in terms of industry and population. The implication is, therefore, for long distance overspill solutions to existing urban congestion and developing new towns in depressed or sparse regions to prevent southward drift.

It does seem a limiting supposition that only those regions with urban conglomerations can receive regional administration. Besides being backward-looking in not planning some development of the empty regions, it does not really help to prevent congestion in the south-east of the country. Most of the overspill plans proposed for London by the Town and Country Planning Association come in the Southern and Eastern regions, those having the fastest population growth between the two Censuses of 1951 and 1961. For these reasons, and because Mr. Rigby-Child's proposals encompass regional plans for the whole of the United Kingdom, this pamphlet supports them rather than those represented by the City region planners.

Some compromise will be necessary between those authorities who draw their regional boundaries for technical or administrative reasons and those who want them based on socio-economic groupings. With a greater emphasis on regionalism by government there will be more incentive for bodies to sacrifice some degree of convenience in order to have common

<sup>62</sup> 'Journal of the Town Planning Institute,' December, 1962. 'Regional Science and Planning in Britain'—H. W. E. Davies.

<sup>63</sup> 'World Economic Survey,' Ibid. P.79.

<sup>64</sup> 'Journal of Town Planning Institute,' July-August, 1962.

boundaries. The same must apply to industry and trade organisations, on both the employer and trade union sides. Those who conform in this way can participate in the regional planning organisation. Those who do not are excluded. This principle will be a powerful force leading to reorganisation.

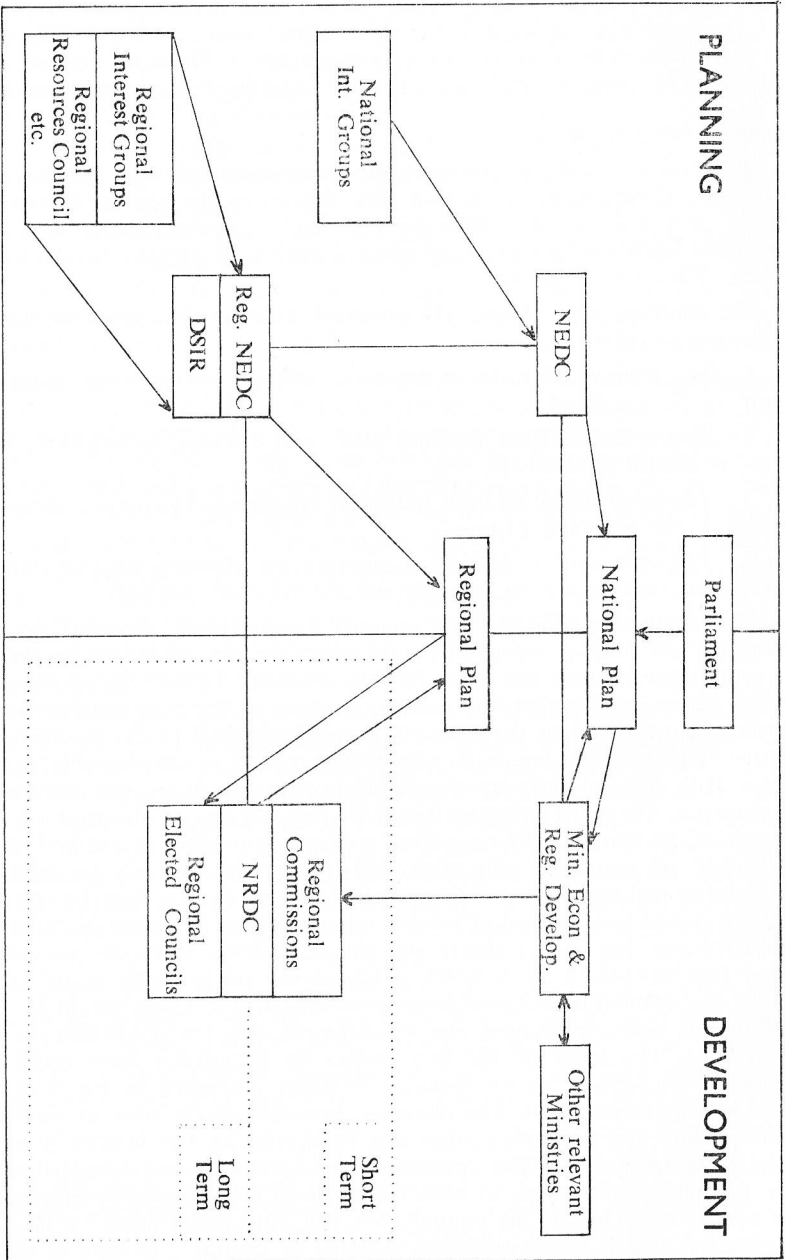
### **Regional Administration**

The major difficulty in proposing recommendations for the organisation of a regional administration is that they depend on the context of reform that is proposed for all administration. The suggestions made here for immediate implementation can be adapted over the long-term to allow for reform of local government.

The chart on page 34 gives the proposed structure. The main objectives it attempts to fulfil are:—

1. The triumvirate tasks of regional research, planning and development.
2. The assurance that regional plans will conform to priorities laid down by central government.
3. The involvement of local industrial interests and important advisory groups in the planning process.
4. The preservation of local democracy by allowing for the control of regional government by directly elected regional councils.

The conflicting objectives of regional interest group planning on the one hand and local government on the other, to the executive powers of the central government, can never be fully resolved. To take the example of interest representation first, the peculiar position of the National Economic Development Council, at the moment, in not being part of the executive of central administration has both advantages as well as considerable drawbacks. Both sides of industry are deeply involved in the actual machinery of planning. We must preserve this if we can. It lies at the root of the success of planning in France. Even a more authoritarian method than 'indicative' planning will only work well if those affected are involved in the decision making. A possible answer is for there to be a two-tier system. The first would be a council of interest representatives in charge of planning (the left-hand side of the chart) and the second would be the executive power (the right-hand side), which would derive its authority from either central government or enlarged local government. The result would be the kind of split between planning and development, that I wrote earlier should be avoided. The work of the two bodies on a regional level could be physically associated, as for instance is being attempted in the Scottish Development Department. The planners, however, might tend to defer to their masters and only plan what can be agreed by the interest groups. Only if 'agreement to differ' procedures are prepared and accepted, will it be possible, for instance, to have the planning staff suggest development, not agreed upon by all the council, but still able to be acted on by the 'developers', that is the government, regional or central. The kind of divis-



ions that exist on a national level now, between central government departments and the NEDC must not be condoned further for the regions.

Both regional bodies, the 'planners' and the 'developers', would want to maintain links with the national organisations concerned with their work. The planning and advisory organisations would be attached to the interest group councils; these would include the NEDC, the DSIR and such advisory bodies as the National Resources Council (recommended by the Trend Committee). The National Research Development Corporation would be attached to the executive body. As it has been proposed in 'Signposts for the Sixties' that the NRDC should be enlarged and reconstructed, this corporation would then be a suitable organ to undertake the proposed industrial development. The Trend Committee recommendation that NRDC should disappear inside a larger research organisation would be impossible under such an arrangement. It is important that research should be concentrated in one organisation while the State should have its development agency in another.

The second conflict of interest was between central and local government. 'Regionalism' has been regarded by local government as a further attempt to invade its area of independent action, and by central government, as a move towards 'federalism'.

Regional planning needs a high degree of participation to be successful. On the executive or 'developers' side this can most easily be attained by directly elected regional government. How regional councils can be dovetailed into the existing, or perhaps reformed lower-tier, structure, will determine the extent of local control. As for central government, it need never fear that ultimate power in any sphere will pass from its hands whilst its national plan has the force of law, or it has control over the allocation of finance. Fifteen hundred local authorities at present defer to the wishes of a variety of ministries over very many individual matters, because of the ultimate sanction of the Treasury. With a smaller number of regions rational allocation of priorities would be much easier.

Such a radical reform of local government as that entailed in these proposals would take time if legislation is not to ignore the considerable opinions of local government interests. If immediate steps are to be taken to plan and develop on a regional basis, then temporary measures will be necessary. The job could be done either by the regional offices of ministries or by specially convened 'Development Commissions'. The benefit of Commissions would be the potential of giving them a greater degree of local association from the first, and their responsibility to a single ministry. Their terms of reference would be more limited than directly elected councils; the Commissions would be concerned with the comprehensive development of industry, housing and other social capital in nominated locations.

Distinct social policies are needed to cope with the problems of declining communities. The period of time over which decline is allowed to continue must be shorter. Where rapid change is engineered improved communications must be established, both ways, between the authorities and those

living in the depressed areas. Local offshoots of the Citizens' Advice Bureaux could be established in each neighbourhood or village. Local authorities which do not run Citizens' Advice Bureaux should be given much greater financial encouragement to do so. To some extent similar problems are found in areas planned for a sudden rise in population; for instance, where new towns are designated. Improved communications may considerably reduce the heat engendered in these areas as well. Tangible assistance will also be required in the declining communities. Movement to growth points can be encouraged by the provision of a range of well publicised measures, transport and housing subsidies, industrial retraining facilities, movement allowances. Most of these incentives exist already to a limited extent. They must be now dramatically increased and must discriminate in favour of the growth points. The biggest incentive though will be cheap housing, and the availability of jobs and amenities; the attraction of this magnet will depend upon the imagination of the planners and architects.

The problems of the depressed areas are indivisible from the question of 'regionalism'. Most of the reasons given for this here have been economic ones. However, in this country we have veered perhaps too far to the centre in our political system, so that local government is sterile, and Parliament is clogged and consequently both are disregarded. Planners and plans are on the increase. The fact that 'planning' and 'regionalism' are both 'in' words is significant for the growth of countervailing tendencies. The sense of regionalism which must be given due weight is its potential as a check on the spread of bureaucracy. Planners must be made responsible, not only because this is the most efficient way of implementing the plans, but in order that the plans do not drift too far from the wishes of the planned.

### **Summary of Recommendations**

1. Reliance should be placed much more on raising income levels directly, than on price incentives to potential new firms or mobility of labour.
2. A way of raising income levels is to increase internal regional trade. Industry should be introduced which conforms more to this pattern.
3. The aim for each potential populous region should be a wide range of industry based on a limited range of specialised products for export abroad, and to other regions.
4. The existing port facilities of the regions should be improved along with internal communications to them, and new industry dependent on the facilities.
5. The need for product flexibility, because of world trade competition, and specialisation for reasons of growth, will mean the state must always be ready with new plans to remedy the effects of structural change.
6. Despite the fact that much new industry is capital intensive, as long as the intra-regional flow of output is maintained, personal income levels need not fall. Automation should be encouraged and reliance placed

upon social remedies, work-sharing, income equality and the shorter working week.

7. Where new industry is needed for a depressed region, if private enterprise will not co-operate, the state should finance, build and run the new concerns itself.

8. Because of the economic significance of physical planning and the social effects of location of industry, national and regional economic planning administration should contain the upper echelons of physical planning, as a sub-unit within it.

9. Regional planning should encompass the whole of the United Kingdom, and not only the 'City Regions'.

10. Regional authorities should aid local mobility with grants and aid to specific authorities. Distinct social policies are needed for declining communities.

11. Economies of scale, external economies and growth dynamic will all best be served by concentrating new development in city complexes.

12. Where overspill is inevitable, the new complexes should be developed at a long distance from the old centres, to avoid sprawl, commuting and congestion. The most depressed portions of regions are often the best points to locate these complexes.

13. In the long term, the aim should be to place the regional administration under the authority of directly elected councils. The immediate step is to create a Development Commission for each region under a Ministry for Economic and Regional Development.

14. To involve business and union interests, councils should be immediately set up intermediary to the Commissions and the planning staff, having more than an advisory role. They would be responsible for all the activities of the planning administration.

15. The planning administration should contain both economic and physical planners, and regional units of DSIRs.

16. Regional units of NRDC should be placed at the disposal of the Commissions to undertake development.

17. Resources from the central government will be allocated to the regions through the Commissions.

18. Co-ordination of regional plans will also take place in the central councils of NEDC. A 'phased dialogue' will need to be worked out between the regions and the centre in drawing up a national plan.

19. A national plan should be submitted to Parliament with annual reports on its progress.

# THE YOUNG FABIAN GROUP

The Young Fabian Group exists to give Socialists not over thirty years of age an opportunity to carry out research, discussion and propaganda upon contemporary problems which they consider important. It publishes pamphlets written by its members, arranges fortnightly meetings in London and holds day and week-end schools.

The Group is autonomous, electing its own committee. It does of course co-operate with the Fabian Society, which gives financial and clerical help. But the Group is responsible for its own policy and activity, subject to the constitutional rule that it can have no declared political policy beyond that implied by its commitment to democratic Socialism.

The activities of the Group are intended to be complementary to, and not competitive with, the activities of other left-wing youth organisations like the Young Socialists, the New Left, NALSO, etc. The hope is simply that a Young Fabian Group, more adventurous, perhaps, than its parent body, may make its contribution to the development of a vigorous and radical critique of present-day society.

Enquiries about membership should be sent to The Secretary, Young Fabian Group, 11 Dartmouth Street, London, S.W.1 (WHitehall 3077).

---

## PUBLICATIONS

YFG 1	LADY ALBEMARLE'S BOYS Ray Gosling	3/-
YFG 2	NATO OR NEUTRALITY A Group of Young Fabians	2/6
YFG 3	THE MECHANICS OF VICTORY A Study Group	2/6
YFG 4	NATIONAL ASSISTANCE: Service or Charity Howard Glennerster	3/6
YFG 5	ARCHITECTURE: Art or Social Service Paul Thompson	3/6