Powerhouse of Cards? Understanding the 'Northern Powerhouse'

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Abstract
The ‘Northern Powerhouse’ is the UK government’s latest attempt to reduce regional disparities. By bringing together the cluster of cities in the North of England, the aim is to create an agglomeration with the scale to counterbalance London. To achieve this, policymakers have focused on four areas – transport, devolution, science and innovation, and culture. This paper summarises and critically reviews the Northern Powerhouse. While sympathetic to the basic idea, it argues that the Northern Powerhouse has become an increasingly fuzzy concept. It can be understood both as an economic development strategy, to help guide policymakers, and a political brand, giving focus to disparate and often pre-existing policies. As a strategy, it has meant some new resources and powers for the North and represents a partial return of interventionist approaches to local economic development. But it is geographically fuzzy, with funding insufficient to achieve its vague but ambitious aims. Instead, the Northern Powerhouse has become a political brand - used to brand policy interventions in a scattergun fashion, including some which pre-date the term or would have happened anyway. The result is a fuzzy policy agenda which is increasingly disconnected from the initial theoretical concept.
1. Introduction

The UK has large and entrenched spatial disparities. The latest attempt to address them is the Northern Powerhouse, a policy agenda led by George Osborne, Chancellor of the Exchequer. The emergence of the Northern Powerhouse reflects longstanding concerns about the North-South divide and the need for spatial rebalancing, the centralised British state (see Parkinson et al., 2012; Colomb & Tomaney, 2014), and research highlighting the economics of agglomeration (e.g. World Bank, 2009; Glaeser, 2012; City Growth Commission, 2014). The central idea is that the major cities of the north of England are relatively smaller than their international counterparts (Overman & Rice, 2008), but that if they were joined into a single functional economy they would have the scale to counterbalance London. Osborne has set out his case as follows:

“Modern economists have spoken about the economic benefits when a critical mass of people, businesses and infrastructure are brought together in a large city. The whole is then greater than the sum of its parts. Our great northern cities represented here individually are quite small on the global stage - but combined they rival in size London or New York or Tokyo.

It was this opportunity to create a Northern Powerhouse that I identified earlier this year. I said that if we can bring our northern cities closer together – not physically, or in some artificial political construct – but by providing modern transport connections, supporting great science and our universities here, giving more power and control to civic government; then we can create a Northern Powerhouse with the size, the population, the political and economic clout, to be as strong as any global city.”

Osborne, 2014a

The Northern Powerhouse is a significant agenda. It is both a spatially focused policy for national economic growth and an explicitly interventionist approach from a traditionally laissez-faire government. It is the latest phase in the rebalancing agenda (Hildreth & Bailey, 2013; Martin et al., 2015), the debate about city-regions (Harrison, 2012) and builds on calls for urban areas to be the focus of efforts to reduce regional disparities (Overman & Rice, 2008). It has achieved an unprecedented level of interest and name recognition amongst the public – far above the existing institutions of local economic development. Yet the Northern Powerhouse is also a fuzzy, problematic concept. It is not a defined institution or plan, but a vague idea which has shaped government policy and political rhetoric. Initially seen as developing from the Manchester model of government (Deas, 2014; Tomaney and McCarthy, 2015), it has broadened geographically to include the whole of the North.

*Insert figure 1 around here*

There are two main ways to understand the Northern Powerhouse. The first is that it is a strategy – a long-term focus of policy action around a single goal. The second is as a brand, a label which can be applied to often pre-existing policies to give them coherence, focus and so portray the government as acting for the North. This paper is sympathetic to the idea that some sort of targeted attempt is necessary to rebalance the economy: the Northern Powerhouse agenda has certainly led to some new funding for the North. Yet the scale of new
finance has been limited and set in a context of reduced local spending. While the general concept is a good one, new resources have been relatively limited and, given the resources which would be needed to achieve the government’s vague aims, it seems more like a brand first and a strategy second.

This paper presents a review of the Northern Powerhouse from its conception to the Spending Review of November 2015. It is based on the evaluation of government documents and speeches and a series of semi-structured interviews with civil servants, researchers and an MP. It begins by setting out the theoretical, economic and political context which has led to the development of the concept. It then outlines the scope of the policy as set out in both government documents and political speeches, and considering policy in the four ‘ingredients’ Osborne has set out: transport, devolution, science and innovation, and culture. It then considers the considerable fuzziness of the concept, in terms of its geography, funding, the theoretical ambiguity of the agglomeration literature and its relationship with existing institutions. The paper then concludes with an evaluation of the Northern Powerhouse agenda and the extent to which it is an evidence–based economic development strategy for the North or a politically motivated branding exercise.
2. The economic, political and theoretical context of the Northern Powerhouse

Economic disparities between London and the North of England are large and growing (Lee et al., 2014). Table 1 shows regional GVA per head for UK regions since 1997, when figures became available. In 1997 GVA per capita in London was 157% of the UK average (just over £21,000 per capita). By 2013 this had increased to 169% (over £40,000). Most northern regions lost ground in this period. The North West fell from 85% to 84% while Yorkshire and Humber saw a larger relative decline from 83% to 80%. The North East improved its relative performance slightly, but from a low base of 72% of national GVA per capita to 73%. Clearly, there will be even greater variation within these regions. Yet the poor overall performance of the North took place in a relatively favourable context: the Labour government (until May 2010) was committed, at least rhetorically, to reducing regional disparities; relatively well-resourced Regional Development Agencies (RDAs) were given targets to help reduce them, and; many expected the financial crisis and subsequent recession to hit London hardest (Lee, 2014; Gordon, forthcoming).

London’s strong economic performance has been accompanied by growing interest in the role of agglomeration in economic development. There have long been concerns that the northern cities could function better as a single economic unit (e.g. Weaver, 2004). But new (or newly influential) work in economics has provided a theoretical and empirical basis for this concern. Martin et al. (2015) describe two related schools of economic research, the New Economic Geography (NEG) and the New Urban Economics (NUE). Both NEG and NUE thinkers focus on agglomeration and the idea that the uneven distribution of economic activity can be the equilibrium (and optimum) outcome of market forces, although NEG is more focused on rural / urban links and NUE with systems of cities. Building on the original insights of Marshall (1920) they highlight three key agglomeration economies which increase productivity with city size: improved linkages between businesses, with firms better able to match intermediate inputs and so incentives for firms to provide specialised outputs; improved matching between specialised workers and firms, and; knowledge spillovers between local economic actors.

The link between agglomeration and productivity has become a basic tenet in policymaking. Academics such as Ed Glaeser and Richard Florida have published mass-market books stressing the economic importance of cities (see Peck, 2015). Government documents have also stressed the link (e.g. BIS, 2010) and Osborne’s speeches on the Northern Powerhouse have also referred to it:

“Over recent decades economists have explored all the different reasons why cities raise their residents’ productivity: specialisation is greater, competition and economies of scale increase, ideas and innovation spread faster.”

Osborne, 2014b

Empirical work has also considered the relationship between economic mass and the economic performance. In their meta-analysis of studies attempting to quantify agglomeration economies, Melo et al. (2009) show a positive link between agglomeration and productivity, but that the magnitude of these agglomeration effects varies significantly across places. More
specifically, in a study commissioned by the local government of Manchester, Overman et al (2009) show that firms in London are more productive than those in the rest of the country, but that those in Manchester and Liverpool outperform the rest of the North. The study concluded with policy recommendations including the idea that, where benefits exceed costs, improving transport connections would help improve productivity across the North.

A group of influential think-tanks have also been lobbying policymakers to focus on cities. The Centre for Cities, explicitly endowed to look at urban areas, have been influential in Northern Powerhouse documents, and offer a clear and focused message about the economic importance of urban areas. The Royal Society of the Arts (RSA) City Growth Commission had a similar message and was also influential, with Jim O’Neill, the Mancunian ex-banker who led it, later appointed as Minister for the Northern Powerhouse. The left-wing IPPR North’s ‘Northern Economic Futures’ project’ has been important, setting out many of the policy areas which have become part of the Powerhouse agenda.

The Northern Powerhouse agenda is the latest stage of the rebalancing agenda. Following the recession of 2008, there has been concern about growing regional disparities, particularly given concerns that while the recession was finance-led the impact had been worst felt in the North and Midlands (Lee, 2014). There was also a growing view that lagging regions were not a “drag on national performance” but “potential assets to be exploited” (OECD, 2012: 1) [see also Parkinson et al. 2012; IPPR North 2012]. For a government seeking to raise growth rates, this represented an opportunity. The rhetoric was clear in the 2014 Autumn Statement, which argued that:

“If the government could raise the growth rate of the north to the projected rate for the country as a whole between now and 2030, it would add £56 billion in nominal terms to the northern economy, in real terms, over £1,600 for each person living in the north.”

HM Treasury, 2014: 51

There are also significant political reasons why the Conservatives would gain from a Northern focus. The Conservative party have been traditionally weak in the North of England (as he argues, Osborne is the first Chancellor of the Exchequer to hold a northern seat for 35 years [Osborne, 2014b]). A longstanding criticism of the party is that it has neglected northern England, a perception reinforced by the close Scottish independence referendum and a government response which some saw as reinforcing English advantage (McDermott & Allen, 2015). The Northern Powerhouse helps address this challenge. First, it is a clear, easily understandable message about growth in the north. Second, it provides a ‘brand’ for policies which can then be labelled as being part of the Northern Powerhouse strategy. These policies are often visible (so allowing photo-opportunities) and are always place based, so appealing to voters in particular parts of the country. And the strategy lends itself to a sound-bite, being simple, focused and offering a clear message.

A focus on the north also fills a political vacuum as England lacks a regional tier of government. Under the Labour administration of 1997 – 2010 “Regions” were important areas of policy. But under the Coalition, the main regional bodies – the RDAs – were
scrapped and replaced by Local Enterprise Partnerships (LEPs). This left a variety of institutions responsible for economic development in the north, but no strategic overview for the north as a whole. This fragmented structure is increasingly seen as a problem, with high-profile recent OECD research suggesting fragmentation may lower productivity, although it is hard to assess causality (Ahrend et al., 2014).

Support for devolution has been increasing for some time. The UK is the most highly centralised country in Europe (Parkinson et al., 2012). Local government is relatively weak with few powers and little responsibility for tax and finance: central government raises 95% of taxes (Economist, 2015). The highly centralised state has been resistant to change, in part because of the centralising tendencies of Whitehall but also because of public indifference: regional assemblies were rejected by a lukewarm electorate in 2004; in 2012, residents in 11 cities voted whether they wanted elected mayors but – with the sole exception of Bristol – voted against. The exception has been Scotland, where the electorate only narrowly rejected independence in a referendum in September 2014. Following this, Scotland was given new powers – leading to calls for devolution of power to the similarly sized English regions (Watt, 2014). Political interest in the idea of devolution reached a head with Lord Heseltine’s (2013) report which argued for devolution to local areas as a way of driving economic growth. In this political, economic and theoretical context, an old idea that a single northern mega-region would boost economic productivity – returned.
The idea of a northern mega-city is not new. In 2004, John Prescott – then Deputy Prime Minister – set out the idea of a city based on the M62 motorway running from Liverpool on the West Coast to Hull on the East Coast (LG Chronicle, 2004). At the same time, architect Will Alsop was developing plans for a similar megacity (Weaver, 2004). Prescott’s ideas were watered down and became the Northern Way, an initiative run from the mid-to late 2000s (see Goodchild & Hickman, 2006; Liddle & Ormston, 2015). The Northern Way was intended to stimulate growth in the north by co-ordinating policy. In some respects, it was an attempt to develop a pan-northern strategy – it was also an attempt to coordinate policy interventions and help institutions think long-term about the future (Goodchild & Hickman, 2006). While the Northern Way was generally seen as successful it had nothing like the political brand or popular appeal of the Northern Powerhouse, and was abolished in 2010 along with the RDAs which had delivered economic development. This left a vacuum for strategic economic development in the north.

The term “Northern Powerhouse” was first used by Osborne in his speech to the Manchester Museum of Science and Industry (MOSI) on the 23rd June 2014. Osborne (2014b) announced that:

“The cities of the north are individually strong, but collectively not strong enough. The whole is less than the sum of its parts.

So the powerhouse of London dominates more and more. And that’s not healthy for our economy. It’s not good for our country.

We need a Northern Powerhouse too.

Not one city, but a collection of northern cities - sufficiently close to each other that combined they can take on the world.”

The “Northern Powerhouse” has been a feature of government rhetoric since and has featured in both official government documents (the Autumn Statement, 2014; the 2015 Budget; the combined Autumn Statement / Spending review of 2015) and those of the Conservative party (the Conservative Manifesto, 2015). A Minister, James Wharton, was given responsibility for the Northern Powerhouse, supported by Jim O’Neill, the high-profile former banker who had led the RSA’s City Growth Commission and was given a role as Commercial Secretary to the Treasury. Four main policy areas – termed “four ingredients” by Osborne (2014b) – lie behind the Northern Powerhouse: transport, science and innovation, devolution of power and arts and culture.

**Transport**

There have been significant moves to improve transport in the north, although the extent of new finance has been contested. Economic research on agglomeration has become increasingly influential (e.g. Glaeser, 2012), and policymakers see transport improvements as one of the key ways of achieving this (HM Treasury, 2010). Despite comparatively short distances between them, and compared to the South East, there is relatively little commuting between the different cities in the north (Overman et al., 2009; HM Government, 2015),
limiting the extent to which it operates as a single agglomeration. So the government has made investments in this area to better link these cities, including: “Extra motorway capacity; better rolling stock; more efficient freight routes from our ports; local metro and tram improvements; and faster and better rail connections across the north.” These are significant investments, but much was pre-existing: the road commitments were already established in June 2013 (Investing in Britain’s Future), before being branded as a Northern Powerhouse policy in the 2014 Autumn Statement. Other finances are not even new money, but statutory allocations which are re-announced as part of the Northern Powerhouse. For example, in the 2015 Budget the government argued that they were committing £13 billion into transport investments as part of the Northern Powerhouse. The Observer suggests that of this, at least £5 billion is actually a standard allocation for local areas and not new money at all (Boffey, 2015).

Alongside new investments, there have been significant moves to better coordinate transport infrastructure. Published in March 2015 (the run-up to the May 2015 election), the first report of the Northern Transport Strategy set out the importance of transport to the goal of establishing the north as a “Global Powerhouse”. It argued that connections both within and between the cities of the north would be important and set out a case including improvements to commuter services, better freight transport and improved ports. High-Speed 2 – the controversial link between the north and London – was also included. But the benefits may not be felt in the north (Tomaney and Marques, 2013). The major institutional reform here is the development of Transport for the North, a pan-Northern body intended to coordinate transport. Even the name reflects Transport for London, although it is currently a strategic body with only limited functions.

**Science and Innovation**

The second area of policy has been science and innovation. These are now seen as crucial ‘success factors’ for regional economic growth and there has been a long-term blending of science and economic development policy (Perry & May, 2007). Yet there have long been concerns that science spending is focused on the ‘Golden Triangle” universities in London and the South East, according to the Haldane principle that research funding should be allocated purely on the basis of merit.

A number of science-focused initiatives have been branded as part of the Northern Powerhouse. The most high profile is the Sir Henry Royce Institute for Advanced Materials Research and Innovation, announced in the 2014 Autumn Statement. This would be based in Manchester with satellites in “cities including” Leeds, Liverpool and Sheffield, leading to concerns (1) that the money would be spread thinly, (2) it would be hard to sustain the centre, and (3) that the £235 million budget was low compared to the £600million devoted to London’s Crick Institute for medical research, particularly given that some of the money would leave the north.

**Devolution**

The third area has been devolution. Over the past 15 years, local government and other third party bodies have been lobbying for decentralisation of powers, occasionally with some success (Marshall et al., 2006; Core Cities, 2013). This reflects the common belief that devolution would lead to significant improvements in economic performance (e.g. Heseltine, 2013). However, the evidence on this point is weaker and more nuanced than often portrayed
(Pike et al., 2012). The only city in the UK with its own powers is London which has had an elected mayor since 2000 and, probably coincidentally, strong economic performance since. But lobbying by think-tanks and cities, alongside wider political moves and the publication of the Heseltine report, had meant some form of decentralisation was always likely. The devolution formed as part of the Northern Powerhouse is only the latest phase of a historic process, because: “institutions develop over the long run” (Tomaney, 2014: 138).

There had been moves to decentralise power under the Coalition of 2010 – 2015, where it was an area of relative consensus between the Liberal Democrats and the Conservative Party. A Minister for Cities was appointed and a Cities Policy Unit was established in Cabinet Office – a central unit of government – tasked with negotiating a series of ‘city deals’, tailored and negotiated settlements with first the largest and the faster growing cities (Ayres and Pearce, 2013; O’Brien & Pike, 2015). These mostly considered areas such as skills or transport, and initially only Manchester’s city deal actually included fiscal devolution although further such options have been mooted for other areas. Elected, executive Mayors are planned for major cities as part of their city deals (some, such as Liverpool, already have a mayor, but the powers and geographical scope of mayors would change). But civil servants see Manchester as the advance guard for devolution processes which could then be rolled out to other cities (Gordon et al., 2016). These devolution deals may have the longest legacy of any of the policy changes which are enacted as part of the “Northern Powerhouse”. Yet they are not geographically limited to the Northern Powerhouse area.

Culture
The least important ‘ingredient’ of the Northern Powerhouse has been culture. This has only been referred to occasionally, with the controversial but influential economic geographer Richard Florida cited:

“Global cities are also great places to go out. The economist Richard Florida has talked about the way that great cities are competing for the “creative class” that powers economic growth. He’s shown how innovators and entrepreneurs are attracted to creative, cultural, beautiful places.”

Osborne 2014b

Following this, a series of ‘trophy’ projects have been funded such as a ‘Great Exhibition in the north, the Factory Manchester – a new theatre and exhibition space in Manchester – and other arts projects scatter across the north. There is an academic significance here, in that this shows that while the Northern Powerhouse has been partly driven by theorists focused on agglomeration, less orthodox academics have also had some influence. But the finance has been limited: £5m was set aside for a “Great Exhibition in the North”; £78m for the Factory Manchester, an arts centre, theatre and exhibition space, and; £3m on arts project to commemorate World War 1.
4. Understanding the Northern Powerhouse: Strategy, brand or both?

While the Northern Powerhouse builds on past ideas such as the Northern Way, there are some important differences. The Northern Way had less conceptual clarity but was run by a single strategic institution and backed by 3 Regional Development Agencies. The Northern Way had its own discrete budget (estimated at around £27 million for 2008-2011 [SQW, 2011]), and existed in times of relative abundance, rather than the public service austerity facing the Powerhouse. In contrast, the Northern Powerhouse is a concept which – while represented by a Minister – is not delivered by a single organization and has no designated budget. This lack of an administrative focus or single plan makes it hard to pin down what the Northern Powerhouse actually is.

The Northern Powerhouse can be understood in two ways. The first is that it serves as a strategy, a way of setting out a long-term vision for the north around which policy can be focused. This is a more interventionist approach than previous economic development policies of the Coalition, which have used economic incentives to stimulate economic growth wherever it happens, rather than focusing investment on a specific area (for example, through the New Homes Bonus - a scheme which incentivised local councils to allow housebuilding).

If the Northern Powerhouse is understood as a strategy, it has wider significance for views on economic development. Firstly, the Northern Powerhouse is an interventionist attempt to shape the economy beyond technocratic economic development approaches. Government investment decisions are normally made, or justified, using systematic decision making processes such as Cost Benefit Analysis. But there has been concern that this approach is “biased” against spending in the north (Transport Select Committee, 2011; IPPR North, 2012). Similarly, science and innovation spending is decided using the Haldane principle of excellence and focuses on the Golden Triangle. Yet there are concerns that the allocation of funding to specific places may be self-reinforcing as future funding follows that of the past. Civil servants interviewed for this paper suggest that the Northern Powerhouse is a way of taking a strategic view of economic development and letting politicians overrule approaches based on current evaluation principles. It is important to caveat this argument, and the bulk of recent policy has been of a more standard approach. But, despite his reputation as a laissez-faire Chancellor, Osborne has made this interventionist argument himself:

“For decades different governments tried shifting lower end public sector posts around the country. It created jobs in call centres and back offices, but it didn’t improve the fundamental growth potential of these places.

Leaving it all to the market doesn’t work either. The Albert Dock in Liverpool or Manchester City Centre didn’t regenerate themselves. It took national leaders like Michael Heseltine and civic leaders like Richard Leese and that brilliant star of city government, Howard Bernstein.”

Osborne, 2014b

The second implication is that the Northern Powerhouse is also an example of an explicitly spatial economic growth strategy, similar to the idea of ‘growth poles’ in the 1960s and 1970s (Richardson, 1976). In particular, it reflects older arguments about whether policy should
focus on people or places (e.g. Crowley et al. 2012; Hildreth & Bailey, 2013), with an explicitly spatial strategy based, at least initially, on ideas from urban economics.

Thirdly, the Northern Powerhouse represents the evolution of the Manchester Model of local government. Relatively stable and focused local leadership has accompanied a series of attempts to unify local government: from the Association of Greater Manchester Authorities (AGMA) in 1986, the Greater Manchester Combined Authority in 2011, to the eventual signifying of a city deal in 2012 (Tomaney and McCarthy, 2015). In itself, this was a reflection of the London model which came from New Labour. The city developed a reputation for being relatively easy to deal with, and one of the best governed with a network of hard and soft institutions developing (Deas, 2014). The devolutionary aspects of the Northern Powerhouse can be seen as part of the next phase in the “Manchester Model” (Tomaney and McCarthy, 2015).

Finally, the Northern Powerhouse represents a cross-government piece of policy making. The importance of cross-departmental efforts in urban policy has been a long-term theme in British urban policy (Robson, 1994), with urban problems seen as requiring intervention from many agencies and this being one of the difficulties faced by urban policy in England. The Northern Powerhouse agenda has involved efforts from across Whitehall with local authorities, Universities and other organisations also involved. Being led by the Treasury is important for this:

“The Northern Powerhouse is a cross-governmental effort. No one else, probably even the PM, could make that happen. Only the Treasury and the Cabinet Office have that cross government focus.”

Senior Official, Department for Business, Innovation and Skills

The Northern Powerhouse also serves a second, important function as a brand: a political tool which can be use to show a suspicious electorate that the Conservatives care about the north. The “policy” has some excellent features which lend it to this sort of interpretation: it is a good soundbite; it is vague enough for individuals to interpret in their own way, yet specific enough for them to feel they have understood; it is focused and clear; and it is hard to oppose. For political messaging purposes it is excellent. As William Hague, one of the few eminent Northern Conservatives has argued:

“The clearest, most coherent thing for the north of England is the Northern Powerhouse initiative offered by the Conservative party. It’s the clearest, most purposeful initiative we've had in the north for decades.”


If this interpretation is correct, the ‘brand’ can simply be applied to give existing policies focus and comprehension. New motorways, improvements to rail infrastructure, enterprise zones can all be branded as Northern Powerhouse projects – lending coherence to scattered policy initiatives, and increasing ‘brand awareness’ at the same time. Of course, these two interpretations are not mutually exclusive and the Powerhouse can serve both functions at
once. But the ‘strategy’ interpretation is more consistent with an idea with the genuine potential to address regional disparities than a brand.

There have been similar attempts to ‘brand’ policy agendas. The most notable is probably the Big Society, a similarly fuzzy concept also pushed by the Conservative party (Bailey and Pill, 2011). Defined in the 2015 Conservative Manifesto (2015: 45) as “a vision of a more engaged nation, one in which we take more responsibility for ourselves and our neighbours; communities working together, not depending on remote and impersonal bureaucracies”. The term was developed by the then Conservative opposition in the late 2000s, but while the initial reaction was often favourable, it was hard to reconcile the agenda with government cuts. Despite the mention in the 2015 manifesto, the term has fallen out of favour (Butler, 2015).

These two interpretations are not mutually exclusive and the Northern Powerhouse may be both an economic development strategy and a political brand. Moreover, the branding element can be helpful and has been used to sell the area to potential investors. The Northern Powerhouse represents an attempt at addressing several old problems in British urban policy, building on previous measures but with a much greater focus. But the fuzzyness of the concept, its lack of stated aims, and a lack of resources (or at least clarity about them) mean that the Northern Powerhouse has some significant limitations.
5. Fuzzy policy

The Northern Powerhouse is a policy agenda based around an important idea: the influence of agglomeration in the economy. It is not an institution or a strategic plan with a defined, codified remit. Yet this fuzziness leads to some important problems with the agenda, including a geographical fuzziness, vagueness about leadership and responsibility, drift from the theoretical ideals and unclear financing.

Fuzzy geography and competition for resources

The implicit focal point of the Northern Powerhouse is Manchester, where Osborne’s first speech on the topic was given. Manchester is seen as the archetypal resurgent city in the UK, benefiting from stable government over a long period, relatively well funded regeneration efforts and the relocation of the BBC (Gordon et al., 2016). Manchester had a significant research capacity through Manchester’s New Economy and had lobbied for more powers for some time. The city was at the heart of the ‘deal-making’ process of devolution, where the larger and fastest growing cities worked with central government to develop tailored devolution deals which often included incentives for economic development (Ayres and Pearce, 2013). Manchester plays an economic role as the focal point of much business activity in the north (Taylor et al., 2010) with institutions developing enabling it to capitalise on the growth of knowledge-based economic activity over the period (Deas, 2014). Yet it is hard to define functional regions and link them with government structures (Coombes, 2014), and the geographical scope of the ‘Northern Powerhouse’ has never been clearly defined.

Focusing on a single place also requires a consideration of areas which are excluded (Harrison & Healey, 2014). But doing so would be politically difficult.

The geographical fuzziness of the Northern Powerhouse has led to several tensions. Firstly, other areas have sought to become ‘Powerhouses’. Cornwall has lobbied for powers so it can become the “South Western Powerhouse” (Langston, 2015). The Conservative 2015 Manifesto argued that they would make the Midlands the “Engine of Growth” and the former leader of Birmingham council argued that they could “create an economic powerhouse in the West Midlands which is as powerful, if not more powerful, than any other in the country” (Bore, cited in Brown, 2015: 1). So along with devolution deals in the north, there is now a devolution deal for the “West Midlands Combined Authority Shadow Board” which includes the stipulation that there will be an elected mayor but around £37m funding a year for a devolved consolidated transport budget, new powers over skills and employment services (HM Treasury & West Midlands Combined Authority, 2015). But the spreading of devolution deals undermines the idea that they are specific to the Northern Powerhouse.

This form of lobbying for resources is rarely about the initial “Powerhouse” concept of a large agglomeration (Cornwall is a peripheral, largely rural area). Instead, it is a pitch for resources or the devolution deals which are being rolled out across the UK (see Bentley & Pugalis, 2013), but which have been sold as being part of the Northern Powerhouse. In the event, it proved hard to sustain a focus: in the post-election Summer 2015 Budget, the Northern Powerhouse was accompanied by measures to support growth in the Midlands, East of England, South West and even London.

Second, there is a tension between the initial focus on Manchester and the wider pan-northern vision increasingly seen in government rhetoric. In the 2015 Autumn Statement, the Northern
Powerhouse was defined as being about making “the cities of the north a powerhouse” (HM Treasury, 2014: 49). “Fundamental to the Northern Powerhouse is each Northern city region reaching its full potential.” (HM Government, 2015 – emphasis added). “And crucially, it should be at a pan-Northern level, to create a single economy across the North.” (HM Government and Transport for the North, 2015: 4). But the geographical spread within the North contradicts the initial idea that resources should be targeted geographically.

The political difficulty in focusing on a single agglomeration has become clear. The focus on Manchester has been criticised by others in the north: a Guardian headline following the 2014 Budget complained about the uneven distribution of benefits with the headline of “Yet more goodies for Greater Manchester.” And the focus on the north has been criticised by politicians in the West Midlands, with Prime Minister David Cameron was forced to argue that: “the West Midlands is in the perfect place to benefit both from the success and growth of London and, of course, a rebalancing of our economy towards the North of England” (cited in Walker, 2015). It has been hard for policymakers to focus resources on agglomerations when confronted with objections from other areas. Moreover, there is a clear theoretical contradiction here: the theories of agglomeration which have apparently inspired the Northern Powerhouse tend to suggest that there needs to be a central agglomeration. The idea that every city can be a Powerhouse runs counter this theoretical view.

Fuzzy aims
The lack of geographical clarity stems from another fundamental issue: the aims of the Northern Powerhouse are only vaguely spelt out. It is unclear whether the Northern Powerhouse is about ensuring gains across the whole of the North, or an attempt to find somewhere in the north with the potential to address the North-South divide. The coalition government’s focus had previously been on realising “every place’s” economic potential (Hildreth & Bailey, 2013). But this is incompatible with both theory and economic evidence on agglomeration, which suggests the uneven distribution of economic activity is inevitable, and with the policy focus on Manchester.

When they have set out the goals of the Northern Powerhouse, Osborne has set out very ambitious goals. In two pre-election pledges, the Chancellor argued that the Powerhouse would eventually reduced the North-South south divide:

“what I am pledging here is nothing less than the most important commitment to the north for decades: we’re going to close the north-south gap”

Osborne, quoted in Rigby & Bounds, 2015

And the Conservative manifesto suggested it was part of their goal to:

“raise the growth rate of all parts of England, bringing areas which have grown more slowly up to at least the national average.”


But for this to happen requires more than a focus on Manchester. Reflecting this, the government has marketed other parts of the north as part of the “Powerhouse” (for example,
FDI investments in Newcastle have been marketed as part of the Powerhouse). Moreover, it would require considerable resources at a time of cuts.

**Fuzzy theory**
While overtly inspired by the insights of NEG or NUE, the Northern Powerhouse has drifted considerably from the theory. NEG/NUE models consider how spatial factors influence economic performance. But, the paradox of these spatially focused NEG/NUE type models is that they lead to a policy mix of spatially blind policies (such as education or health) with infrastructure as a way of linking successful and less successful urban economies, and spatially targeted interventions only later (Hildreth & Bailey, 2013; Tomaney, 2014). Hildreth & Bailey (2013) argue that the famous World Development report of 2009 suggested that “growth and development by its very nature will be unbalanced and that efforts to spread economic activities will be counter-productive in undermining growth and prosperity”.

But the Northern Powerhouse sits uneasily with this. NEG/NUE models show the role of agglomeration in regional disparities, and their link with the Northern Powerhouse has been explicit in Osborne’s speeches. Yet these theories are intended to explain disparities, rather than provide solutions to them. Moreover, many of the measures cited as part of the Northern Powerhouse agenda are very clearly place-based policies, such as devolution of powers to specific areas, spatially focused investments in R&D or the arts. Of the four ‘ingredients’, only transport really reflects the NEG/NUE type theory on which it was based.

The spread of the Northern Powerhouse also illustrates the challenge of producing genuinely place-specific economic development strategies. The tendency amongst policy makers has been to produce development strategies which have been similar, rather than locally tailored (Turok, 2009; Barca et al. 2012). The Northern Powerhouse is explicitly about focusing on one place, yet it has been hard to sustain this differentiation when confronted with a place-based political system.

**Fuzzy empirics**
Improved transport links in the north are likely to have a positive impact on the economy. But the benefits will not be large on a per capita basis, pay little attention to the cost of transport interventions and are unlikely to achieve the stated aims of the policy. In a report for the Northern Way, Overman et al. (2009) suggest there will be large economic benefits for the region.

“Given total 2006 GDP in the two city regions and a discount rate of 3%, a 20 minute reduction in train journey times between Manchester and Leeds would be worth £6.7 billion across the whole of the north of England (assuming benefits persist indefinitely) of which £2.7 billion is captured within the two city regions.”


But once considering these as a percentage of overall output, the gains from improving rail links are relatively small (Overman et al. 2009: 13). The major impact would be in the longer term and would work though structural changes in the economy (i.e. upgrading sectors) - with no guarantee existing residents would benefit: “greater integration would deliver no wage growth benefits to people who do not change education or skills levels.” Similarly, Gibbons (2015) undertakes some “back of the envelope calculations” based on Greater Manchester,
where he suggests that a new transport scheme which increased Manchester’s labour market by about 60,000 workers would be the equivalent of adding around £2.9 billion to GVA. In short, the aims of the Northern Powerhouse are so ambitious that it would be very hard for the scheme to actually address the north-south divide.

A related concern is the target of the Northern Powerhouse. While there are large disparities across the UK, much of these disparities can be explained by the composition of the population: in particular, levels of education and skills. Estimates suggest that these compositional factors explain the bulk of disparities across the UK (Gibbons et al. 2013). Yet the Northern Powerhouse says nothing about education and skills, even though these are probably the most significant driver of disparities between places.

\textbf{Fuzzy finances}

A final, related concern is the scale of funding devoted to such a major aim. One test of a genuine economic development strategy is whether it is backed financially, yet the funding arrangements for the Northern Powerhouse are opaque. There are three possible routes for funding for projects under the Northern Powerhouse banner. The first is that money is new, coming from increases in tax revenues or freed up by under-spends elsewhere in government. This is the clearest evidence that the government is prioritising the Powerhouse but near-impossible to identify. Second, money may have been refocused generally from other types of government spending into projects labelled as part of the Powerhouse. For example, it might be that government science money was moved from the south to the north. It is impossible to tell if money is new or refocused, but in both cases there will be an opportunity cost, particularly if the money is spent for political reasons. Finally, the money might be existing policy commitments, which are rebadged with pre-planned projects simply given the Powerhouse label.

\textit{Insert table 2 around here}

There is no single government document which outlines all spending commitments to the Northern Powerhouse. Table 2 considers some of the key spending commitments which have been claimed to be part of the agenda in government documents (the Autumn Statement 2014, the two Budgets of 2015 and the 2015 Spending Review / Autumn Statement). Where funding commitments have been repeated in these documents, the latest figure is used. It is even harder to assess spending commitments made through devolution deals, and so these are not covered. Figures are murky, and it is not always clear what is new money as opposed to finances already committed. Overall, without including High Speed 2 or 3 and excluding money already committed and obviously relabelled, around £6.4 billion has been committed as transport spending, representing the bulk of all spending commitments. Yet even here, the very charitable upper bound estimate of £6.4 billion new money is less than half the £14.8 billion finance spent on Cross-Rail, a new rail scheme designed to improve transport links across London (HM Treasury, 2010).

It is hard to assess finance for the devolution deals. The devolution deal for Manchester – the Greater Manchester Agreement – included some new funding. Civil servants interviewed for this paper gave rough figures for the 5 devolution deals announced between the May 2015 election and that November (these figures are very close to those given in media reports, although these vary slightly). In total, there was £4.2 billion in new money provided over the
period. But this figure is for 30 years and £1.2 billion of that is Birmingham, in the Midlands, rather than the North. Further finance was provided as part of the Manchester devolution deals, but the sums are opaque and much pre-dates the Northern Powerhouse rhetoric (although there has been significant devolution of finance).

Spending as part of the Northern Powerhouse is a mixture of new, refocused and rebadged funding. Some funding has simply been branded as a “Powerhouse” initiative even though it pre-existed the term. For example, in the 2014 Autumn Statement the government argued that they were “providing £10 million to support the expansion of the very best academy chains in areas of the north” (HM Treasury, 2014: 51). But this is unrelated to the initial idea of the Northern Powerhouse, and was actually a national scheme which had been underway since 2010. Similarly, funding was announced for the National Graphene Institute in the 2012 Budget. It was then re-announced in Osborne’s 2014 Northern Powerhouse speech and once again in the 2015 Budget.

Other funding is either new or, at least, refocused. The Sir Henry Royce Institute for materials research is an example. £235 million funding for the centre was announced in the 2014 Autumn Statement. Interviews suggest this was an example of finance being available and then a political choice made to invest it in the Northern Powerhouse rather than elsewhere. The Royce institute came from local engagement and was inspired by work by the N8 – a group of the 8 leading northern research universities - on the ‘strengths of the north’ and through a roundtable held with business leaders in the north who argued that the centre could lead to commercial success. This is not a simple top-down policy but a combination of both bottom up and top down engagement.

But the rough estimate given in table 2 of the new finance provided, in addition to the £3bn in extra finance offered through the devolution deal (although this is spread over 30 years and cannot be seen as exclusively “Northern Powerhouse”), is total funding of around £10bn. This is a significant figure but comes in at only around 2/3rd of the funding provided to Crossrail in London – a single transport project in the capital, albeit one part funded by businesses in the city. The Northern Powerhouse is not being backed with anything like the finance needed to address any longstanding regional divides.
6. Conclusion: Powerhouse of cards?

At the heart of the Northern Powerhouse is an important idea: the potential economic benefits if the cluster of cities in the north of England worked as a larger functional economic area. This is not a new idea, but the latest iteration has higher profile than those of the past. Some aspects of it, such as elected Mayors, will occur across the country and not just in the north. The Northern Powerhouse agenda has focused efforts on the north and led to some new investment, although the scale of new finance has been overstated by repeated re-announcements. There has been some institutional change, in the form of Transport for the North, and this may have a long-lasting impact. In this respect, it is a genuine attempt to rebalance the UK economy with a basis in academic research and with some new resources.

But the Northern Powerhouse has drifted significantly from the initial concept and has become an increasingly fuzzy policy agenda. Part of the reason is that the Northern Powerhouse has become a powerful political brand. The lack of strategic clarity, defined plan or accountable institution, the creeping geographical remit and the relatively limited finances available for such an ambitious goal all lend support to an interpretation of the Northern Powerhouse as a branding exercise. The original idea was about creating a functional urban area, but the policy has become fuzzier and it is now used as a generic brand for government policy in the north.

There are two important contextual factors which will limit the success of the Northern Powerhouse. The first is that the Powerhouse agenda does not focus on education and skills, although this is probably the most important driver of disparities across the UK (Gibbons et al. 2013). While some policy, around universities or culture, can be seen as helping in this area, it is strange that this is not the focus of policy in the Northern Powerhouse. Secondly, the Northern Powerhouse is providing relatively small sums of new money at the same time as there are large cuts to local government finances in the North. Moreover, there have been concerns that moves to fiscal devolution will reduce the finances available for cities in the north still further (IPPR North, 2015). While the Northern Powerhouse is a positive idea, it is hard to see it succeeding in this context.

A benchmark of government commitment to the Northern Powerhouse is the amount of new money. There are examples of new money (such as the Sir Henry Royce Centre). But much is existing projects being rebranded (the Graphene Research Institute), pre-existing statutory budgets (some roads spending) or trivial (finances to commemorate WW1). If Osborne is really trying to “close the north-south gap” then the resources provided are clearly insufficient. This is a clever piece of politics, given spending constraints. But where there is too little substance this creates a reputational risk for the concept itself – if used solely as a political brand, the Northern Powerhouse will become devalued.

This raises the concern that a strong, evidence based initial concept has become a political exercise rather than a genuine attempt at rebalancing the economy. By raising expectations without providing resources or a genuine leadership structure risks a collapse of the concept the devaluation of the brand (a ‘powerhouse of cards’). The “Big Society” - an earlier policy and/or branding exercise - was similarly affected. However, there will be one potential consequence of applying such a memorable brand to a set of policy measures. As the government now has a high profile aim and strategy to improve things in the north, the result
may be to make the government at least partly accountable for any lack of progress and the further widening of the north-south divide.
Bibliography


Robson, B. (1994). Urban policy at the crossroads, Local Economy. 9:3, 216-223


Table 1. Output per head by region, 1997 – 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>GVA per head 1997</th>
<th>GVA per head 2013</th>
<th>GVA per head as % of national average 1997</th>
<th>GVA per head as % of national average 2013</th>
<th>Percentage point Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>9,693</td>
<td>17,381</td>
<td>72%</td>
<td>73%</td>
<td>1%</td>
</tr>
<tr>
<td>North West</td>
<td>11,410</td>
<td>19,937</td>
<td>85%</td>
<td>84%</td>
<td>-1%</td>
</tr>
<tr>
<td>Yorkshire and The Humber</td>
<td>11,216</td>
<td>19,053</td>
<td>83%</td>
<td>80%</td>
<td>-3%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>11,914</td>
<td>19,317</td>
<td>88%</td>
<td>81%</td>
<td>-7%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>11,986</td>
<td>19,428</td>
<td>89%</td>
<td>82%</td>
<td>-7%</td>
</tr>
<tr>
<td>East of England</td>
<td>13,229</td>
<td>21,897</td>
<td>98%</td>
<td>92%</td>
<td>-6%</td>
</tr>
<tr>
<td>London</td>
<td>21,167</td>
<td>40,215</td>
<td>157%</td>
<td>169%</td>
<td>13%</td>
</tr>
<tr>
<td>South East</td>
<td>14,740</td>
<td>25,843</td>
<td>109%</td>
<td>109%</td>
<td>0%</td>
</tr>
<tr>
<td>South West</td>
<td>12,264</td>
<td>21,163</td>
<td>91%</td>
<td>89%</td>
<td>-2%</td>
</tr>
<tr>
<td>Wales</td>
<td>9,784</td>
<td>16,893</td>
<td>72%</td>
<td>71%</td>
<td>-1%</td>
</tr>
<tr>
<td>Scotland</td>
<td>12,553</td>
<td>21,982</td>
<td>93%</td>
<td>93%</td>
<td>0%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>10,500</td>
<td>17,948</td>
<td>78%</td>
<td>76%</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Source: ONS (2015)
Table 2. Key spending commitments as part of the Northern Powerhouse

<table>
<thead>
<tr>
<th>Theme</th>
<th>Estimated costing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transport (not including HS2)</strong></td>
<td></td>
</tr>
<tr>
<td>Northern Hub Rail</td>
<td>£530m</td>
</tr>
<tr>
<td>Northern Road Investment Package*</td>
<td>£4bn</td>
</tr>
<tr>
<td>Electrification and rail investment*</td>
<td>£1.65bn</td>
</tr>
<tr>
<td>Transport for North – money for smart ticketing</td>
<td>£150m</td>
</tr>
<tr>
<td>Transport for North – operational finance</td>
<td>£50m</td>
</tr>
<tr>
<td>Regional Air Connectivity Fund</td>
<td>£7m</td>
</tr>
<tr>
<td><strong>Approximate total spending committed (excluding High Speed 2 / High Speed 3 rail lines):</strong></td>
<td>£6.4 billion</td>
</tr>
<tr>
<td><strong>Science and innovation</strong></td>
<td></td>
</tr>
<tr>
<td>Sir Henry Royce Centre for Material Research*</td>
<td>£235m</td>
</tr>
<tr>
<td>High value manufacturing catapult in Sedgefield</td>
<td>£28m</td>
</tr>
<tr>
<td>Sovereign Wealth Fund for North (funding not yet committed)</td>
<td>N/A</td>
</tr>
<tr>
<td>Continuation funding for the National Nuclear Users Facility</td>
<td>£60m or £250m</td>
</tr>
<tr>
<td>Expansion of best academy schools in North***</td>
<td>£10m</td>
</tr>
<tr>
<td>Health North investment to promote innovation through analysis of data on effectiveness of drugs, treatments and health pathways</td>
<td>£20m</td>
</tr>
<tr>
<td>Advanced Wellbeing Research Centre in Sheffield (Part of Olympic Legacy Park)</td>
<td>£14m</td>
</tr>
<tr>
<td>Tech Incubators in the North</td>
<td>£11m</td>
</tr>
<tr>
<td>Sheffield Maker Hub</td>
<td></td>
</tr>
<tr>
<td>Leeds Future Lab</td>
<td></td>
</tr>
<tr>
<td>Manchester Forward Plan</td>
<td></td>
</tr>
<tr>
<td>Financial technology incubator Leeds</td>
<td>£3.7m</td>
</tr>
<tr>
<td>Extra funding for Centre for Process Innovation in chemicals sector</td>
<td>£1m</td>
</tr>
<tr>
<td>Extend Enterprise Zones in North</td>
<td>£15m</td>
</tr>
<tr>
<td>National Graphene Institute / Graphene Engineering Innovation Centre (GEIC)</td>
<td>£45m</td>
</tr>
<tr>
<td>Anti-microbial resistance centre of excellent</td>
<td>£4m</td>
</tr>
<tr>
<td>Northern Powerhouse Trade Missions</td>
<td>£15m</td>
</tr>
<tr>
<td>Northern Powerhouse Investment Taskforce</td>
<td>£7m</td>
</tr>
<tr>
<td>Cognitive Computing Research Centre</td>
<td>£113m</td>
</tr>
<tr>
<td>Innovation Hub for Ageing Science</td>
<td>£20m</td>
</tr>
<tr>
<td><strong>Approximate total spending committed (excluding Northern Powerhouse Investment Fund):</strong></td>
<td>£373m - £563m</td>
</tr>
<tr>
<td><strong>Arts &amp; Culture</strong></td>
<td></td>
</tr>
<tr>
<td>Great Exhibition in the North</td>
<td>£5m</td>
</tr>
<tr>
<td>Great Exhibition Legacy Fund</td>
<td>£15m</td>
</tr>
<tr>
<td>Manchester Museum’s South Asia Gallery</td>
<td>£5m</td>
</tr>
<tr>
<td>Hull city of culture</td>
<td>£1m</td>
</tr>
<tr>
<td>Support for Rugby League World Cup (Funding level not yet announced)</td>
<td>N/A</td>
</tr>
<tr>
<td>The Factory, Manchester</td>
<td>£78m</td>
</tr>
<tr>
<td>Arts Project for WW1</td>
<td>£3m</td>
</tr>
<tr>
<td>Refurbished Muni Theatre in Pendle</td>
<td>£56k</td>
</tr>
<tr>
<td>Reinstated Norway Ferry / Marketing</td>
<td>£300k</td>
</tr>
<tr>
<td><strong>Total Arts &amp; Culture Spending</strong></td>
<td>£107m</td>
</tr>
<tr>
<td><strong>Total Northern Powerhouse spending</strong></td>
<td>Around £7 bn</td>
</tr>
</tbody>
</table>

* Value given = New commitments after excluding road schemes announced in 2013
** Satellite centres in Leeds, Liverpool, Sheffield, Cambridge, Oxford and London
*** Part of wider expansion programme
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