An end to zombie politics 3: The regions [1]

Written by Miles Saltiel [2] | Friday 26 April 2013

The urgency of relief from Zombie regional policy was brought home by the street-parties celebrating the death of Baroness Thatcher, the palpable bitterness of regions eviscerated by a century of rotten policy. Originally I planned this post for financial regulation, but as recent banking failures hinge upon regional policy, let?s turn to this instead.

First, some international context: from the outset of the financial crisis, thoughtful Americans noted that subprime borrowing was stimulated by policies promoting home-ownership among uncreditworthy minorities, unreached by general prosperity. Good intentions went wrong.

And now we begin to grasp where our own good intentions went wrong. On 5 April, the Parliamentary Commission on Banking Standards called HBOS? failure what it was: plain bad banking, nothing to do with alphabet soup, bonuses or the other usual suspects. This paves the way to face the fact that HBOS?s collapse tallies with Bradford & Bingley, Dunfermline, RBS and Northern Rock - all failed ?country banks?.

Let?s pass over financial regulation till another blog, reverting to today?s theme: that the decline of Britain?s primary industry prompted 100 years of awful policy extending from white-elephant investments, through piecemeal subventions, to the Blair-Brown wheeze of public-sector and financial employment, the latter not just back-offices but regionally based banks with national ambitions, political patronage, and - as it turned out - disastrous business models.

Regional regeneration is uphill sledding: <u>Dorling and Thomas</u> [3] point to the UK?s profound regional disparities and the inverse relationship between public expenditure and prosperity, while <u>Polèse</u> [4] captures the agony for once proud regions of accepting lower cost-bases. So let the Tories reconnect with voters outside the Southeast by repudiating Zombie policies and proclaiming two clarion objectives: immediate relief and eventual reskilling.

Policies for immediate relief:

- 1. Let HMG kick off with tough love, doing its bit to make regions more competitive with regional wage differentials for its own staff. The pill?s bitterness is best sweetened by letting national inflation operate upon salary-sheets redrawn to equalise employees? purchasing power from region to region.
- 2. My last blog touched on the opportunities for the North opened up by fracking. All over the world, hydrocarbon development promotes ?roustabout? outfits offering drilling, wellhead and other services, all fostering local proprietary skills. So let the Department of Communities and Local Government issue guidance encouraging the construction or conversion of property for such entrepreneurs. At the same time, let the Treasury offer holidays on their national insurance and corporation tax. Finally, let the Department of Employment relieve them of the restrictions of wage and employment regulation.
- 3. The population is ageing and the retired no longer necessarily hard up. So let regional

developers and operators of retirement communities enjoy relief similar to that set out above.

Policies for eventual reskilling: This goes to rebuilding technical, entrepreneurial and political skills. Let?s pass over general education, hoping that Michael Gove?s reforms catch hold; and local funk, often stemming from underfunding and addressed in my last blog. The last government pushed large-scale public sector and financial employment with grisly results, teaching us to field other industries and more resilient structures.

- 4. The Treasury plus the Education and other ministries should goose up university development offices seeking to engineer regional knowledge-based clusters, with regulatory concessions, tax holidays and other Enterprise Zones elements. Heaven knows how hard it is to pick winners, so let HMG also be promiscuous with funds for start-ups to match arms-length private money.
- 5. The promise of creative and healthcare industries is all too often stymied by BBC and NHS jobsworths. So preparatory to more fundamental reform, let?s decentralise programming for license-funded broadcasters outside London, pushing the consequent local content to rise to the challenge of a high bandwidth world; and let the Department of Health operate a presumption of approval when commissioning bodies in the regions propose innovations in secondary provision. And note, creative goes well beyond TV, embracing business communications, design, fashion, performance art plus social and other media/software, most of these inherently small-scale.

blog comments powered by Disqus [6]

Source URL: http://www.adamsmith.org/blog/politics-government/an-end-to-zombie-politics-3-the-regions

Links:

- [1] http://www.adamsmith.org/blog/politics-government/an-end-to-zombie-politics-3-the-regions
- [2] http://www.adamsmith.org/authors/miles-saltiel
- [3] http://www.sasi.group.shef.ac.uk/bankruptbritain/Material.html
- [4] http://www.city-journal.org/2013/23_1_urban-economics.html
- [5] http://disqus.com/?ref_noscript
- [6] http://disqus.com