

CROWDING OUT: Boom and Crisis in the South East

By Robin Murray



Text of the first SEEDS lecture, delivered to the Annual General Meeting of the SEEDS Association, held at Unity House, the Headquarters of the National Union of Railwaymen, Euston Road, London on Monday 28 November 1988.

SOUTH EAST ECONOMIC DEVELOPMENT STRATEGY

Daneshill House • Danestrete • Stevenage • Herts SG1 1HN 0438 356177 X 219

Author Robin Murray
Title Crowding Out
Sub Title Boom Crisis in the South East
ISBN 1 872393 01 2
Copyright SEEDS

I. THE BOOM

When SEEDS was set up in May 1986, our central concern was unemployment. In all the member districts and in the region as a whole, the effects of the recession of the early 1980's were still being felt. As Table 1 shows; unemployment on a parliamentary constituency basis reached 16% in Brighton; even Crawley had a rate of nearly 6%, a level which 20 years ago would have been seen as excessive for the country as a whole.

In the last two years the situation has markedly changed. I first felt the force of this, not through reading government statistics, but visiting Swindon earlier in the year. The feeling I got was of a frontier town. Between the station and the Council's offices were the new finance sector buildings, most prominent being those of Allied Dunbar. In spite of the run down of BREL, and fears about the future of the Austin Rover plant, the main concerns of the Council were how to manage the inrush of new firms. Twenty major investments had been made in the previous two years; the latest, by a group of international airlines bringing in 8 main frame computers to run their booking systems, had been agreed that day. The growing population had made the 1981 census quite out of date. The problem was increasingly labour shortage rather than labour surplus. The M4 boom which had spread from Berkshire to Bristol had clearly engulfed Swindon on its way.

Swindon was not alone. In 1987 Cambridge was pinpointed as one of the epicentres of the M11 corridor, a zone of "Eastern Promise" in the words of Peter Hall and his colleagues. Key to the Cambridge "phenomenon" were 250-300 high tech companies, providing 11,000 to 13,000 jobs (60% of them in Cambridge itself). With unemployment falling by 15% in the past two years, the Cambridge Employment Strategy, produced by the City Council in September this year, is centrally concerned with shortages - of skilled as of less skilled workers, of industrial property as of space for housing.

Harlow - originally side-stepped by the M11 effect - is now being swept into it, principally because of expectations about Stansted. Industrial land in the town, having held its price constant in real terms between 1982 and 1987, is said to have doubled in price over the past year. Just as Gatwick has been central to Crawley's economy, and helps explain why the area has the lowest unemployment rate in the UK, so the property industry has judged that the same will happen to Harlow. Further South in Thurrock, it is the M25 which created a boom every bit as vigorous as that in the West. In this case, however, the boom is centred on retailing and leisure and the opening

TABLE 1

Unemployment Rates of SEEDS towns, January 1987

| TOWN | % |
|-------------------|------|
| Brighton Pavilion | 16.0 |
| Brighton Kemptown | 15.4 |
| Basildon | 14.8 |
| Thurrock | 13.8 |
| Oxford East | 9.7 |
| Cambridge | 9.5 |
| Harlow | 8.6 |
| Stevenage | 8.3 |
| Crawley | 5.8 |

Source: South-South Divide

Note: These rates are based on the Unemployment Unit Index, which corrects the official figures for changes in the method of counting made since 1982. Hence, they are on a 1982 basis. The figures are by parliamentary constituency.

up of areas previously stranded in the process of industrial restructuring.

The above are examples linked to particular factors: finance, high tech, airports and the M25. Each has its own character. But all reflect a wider movement. The economy as a whole, after a gradual recovery from the recession of the early 80's, has in the last two years quickened into a boom. This boom has been talked of as a national boom, resulting from the liberalisation policies of the national government. But quite apart from the strong expansion of the world economy, the boom as it appears in government statistics, needs to be loosened from its "national" moorings in three ways.

The North - South Divide

First, it has been a boom in the South. Table 2 shows regional changes in employment. For 1986/7, 72% of the growth in national employment took place in the three Southern regions, 40% of it in the South East. In 1987/8 the boom has spread more widely, touching even Scotland and Wales, so that the South's share fell to 56%. But the South-East has remained central, its share actually rising to 42% of the national total.

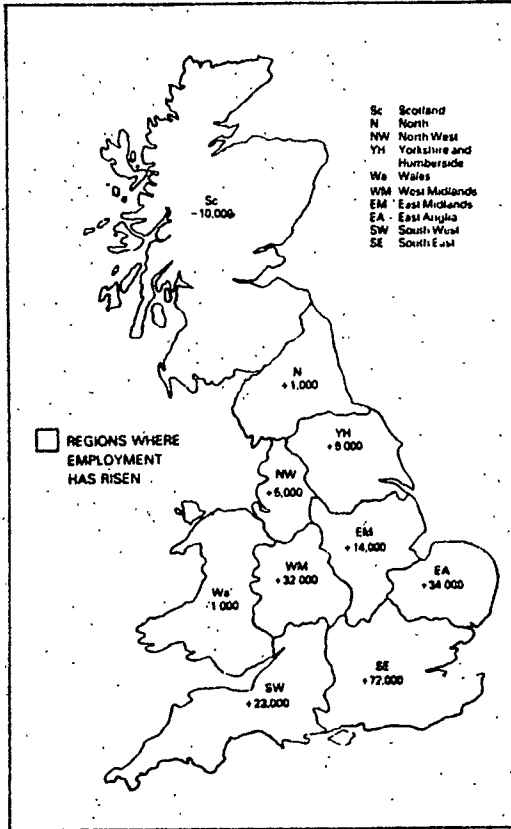
Unemployment changes show a similar picture. Figure 1 maps the relative changes in 1986/7. The fourteen Travel to Work Areas with the largest drops in unemployment are all from the southern half of the country, reflecting the strength of the East Midlands, the Western corridor, the Gatwick area and the Cambridge phenomenon. The bulk of the Southern heartlands had falls of 20% or more, with the exceptions being London, the coastal areas, and a line of older industrial towns to the West and North West of London.

In the following year the fall in unemployment rates was more evenly spread. Recent figures for SEEDS towns for 1987/8 are given in Table 3, with the highest falls being registered for the four new towns plus Oxford West and Abingdon, and the lowest in Brighton.

Unfortunately we cannot trace a parallel pattern of GDP growth, since the regional breakdowns have only been published up to 1986. But Table 4 confirms the importance of the South for the earlier stage of the recovery of the 80's. The three regions with SEEDS authorities in the South grew by 24% between 1982 and 1986, while the rest of the country (including London) grew by only 14%. The highest growth rate was in the ROSE region - 25% - twice as fast as the North of Britain, and seven times as fast as Northern Ireland.

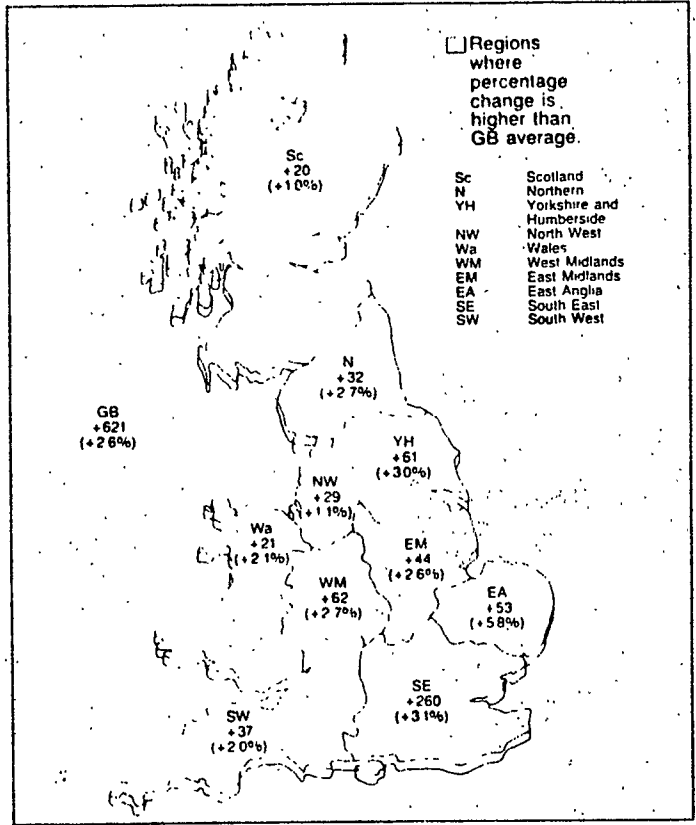
TABLE 2

Regional Changes in Employees in Employment
March 1986 - March 1987



Source: Department of Employment

REGIONAL CHANGES IN THE CIVILIAN WORKFORCE
IN EMPLOYMENT MARCH 1987 - MARCH 1988
(000s Not Seasonally Adjusted)



Source: Department of Employment

Percentage Change in Employees in Employment
March 1986-March 1987

| | Total | Manufacturing | Services |
|------------------------|-------|---------------|----------|
| South East | 1.0 | -4.1 | 2.4 |
| East Anglia | 4.5 | 4.5 | 5.3 |
| South West | 1.5 | -0.8 | 2.7 |
| West Midlands | 1.6 | -1.3 | 3.5 |
| East Midlands | 0.9 | -0.6 | 3.2 |
| Yorkshire & Humberside | 0.5 | -4.1 | 3.0 |
| North West | 0.2 | -3.0 | 1.8 |
| North | -0.1 | -3.0 | 1.5 |
| Wales | -0.1 | - | 1.1 |
| Scotland | -0.5 | -4.1 | 1.1 |

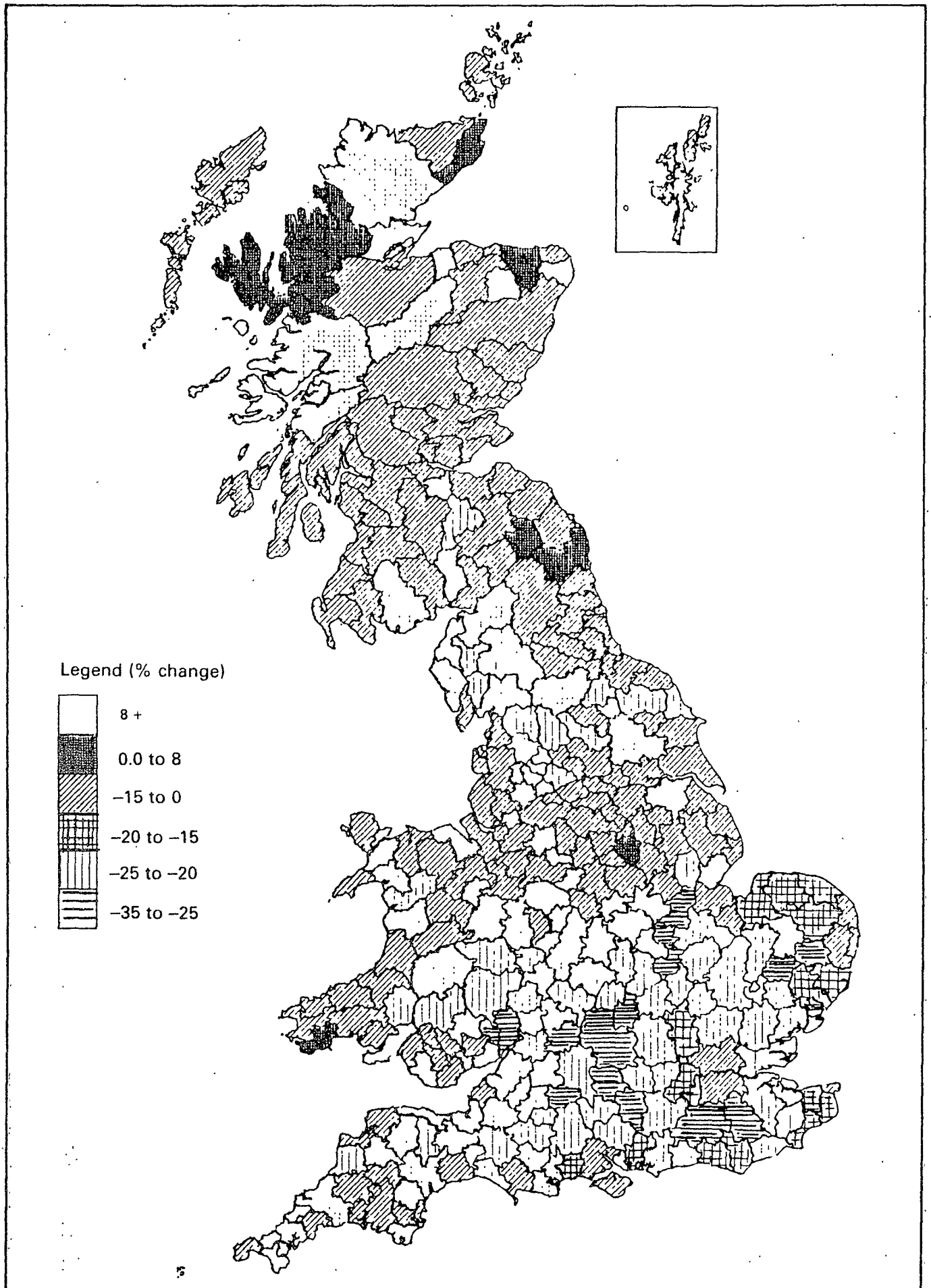
March 1987 - March 1988

| % Change | Manufacturing | Services | Other | Total |
|------------------------|---------------|----------|-------|-------|
| South East | -0.7 | 3.3 | -0.4 | 2.3 |
| East Anglia | 3.4 | 6.7 | 0.0 | 5.1 |
| South West | -0.8 | 1.9 | 0.0 | 1.2 |
| West Midlands | -0.1 | 3.6 | 0.6 | 2.2 |
| East Midlands | 0.2 | 3.1 | -2.6 | 1.7 |
| Yorkshire & Humberside | -0.7 | 3.6 | -1.6 | 2.0 |
| North West | -2.3 | 1.4 | -1.2 | 0.3 |
| Northern | 0.4 | 3.0 | 0.0 | 1.9 |
| Wales | 2.4 | 2.0 | -3.1 | 1.6 |
| Scotland | -2.5 | 1.4 | -0.5 | 0.4 |
| GB | -0.5 | 2.9 | -0.7 | 1.8 |

Source: Department of Employment

FIGURE 1

Percent Unemployment Change Sept 1986 - 1987 (GB: 13.88%)



Source: D.E. Statistics (NOMIS) 1984 Travel-to-Work Areas (Great Britain).

TABLE 3

Unemployment in the South East (by parliamentary constituency), June 1988

| | OFFICIAL | UNEMPLOYMENT UNIT | CHANGE: JAN 1987 - JUNE 1988 (UU) |
|---------------------|----------|----------------------|--------------------------------------|
| Brighton (Kemptown) | 3379 | 4561 | - 18 |
| Basildon | 3706 | 4910 | - 32 |
| Cambridge | 2111 | 2866 | - 26 |
| Crawley | 1217 | 1616 | - 49 |
| Harlow | 2362 | 3135 | - 34 |
| Oxford (East) | 2392 | 3221 | - 25 |
| Oxford (West) | 1508 | 2058 | - 34 |
| Stevenage | 1948 | 2584 | - 41 |
| Thamesdown | 4014 | 5342 | n.a. |
| Thurrock | 3524 | 4696 | - 29 |

Source: Unemployment Bulletin no 27, Summer 1988

Note: The Unemployment Unit estimates are based on an adjustment of the figures to equate them with the Government's 1982 methodology. In all cases the fall in the Unemployment Unit figures between January '87 and June '88 is less than the fall recorded in official figures over the same period.

TABLE 4

GDP Growth by region
(constant factor cost at 1985 prices)

| Region | % change real GDP 1982-86 | % of UK growth 1982-86 | % of UK GDP 1986 | % of UK population 1986 |
|-------------------------------------|---------------------------------|---------------------------------|------------------------|-------------------------------|
| Rest of South East | 25.2 | 28.8 | 20.9 | 18.5 |
| East Anglia | 22.4 | 4.4 | 3.5 | 3.5 |
| South West | 20.0 | 8.8 | 7.7 | 8.0 |
| All South excluding London | 23.6 | 42.0 | 32.1 | 30.0 |
| South East (London & ROSE) | 21.2 | 42.9 | 35.7 | 30.4 |
| London | 16.0 | 14.1 | 14.9 | 11.9 |
| All South | 21.1 | 56.1 | 47.0 | 41.9 |
| East Midlands | 16.8 | 6.5 | 6.6 | 6.9 |
| West Midlands | 17.1 | 8.3 | 8.3 | 9.1 |
| North West | 13.0 | 8.3 | 10.5 | 11.2 |
| Yorks and Humberside | 15.2 | 7.3 | 8.0 | 8.6 |
| North | 13.1 | 4.0 | 5.0 | 5.4 |
| Scotland | 10.0 | 5.3 | 8.4 | 9.0 |
| All North | 12.7 | 24.8 | 31.9 | 34.2 |
| Wales | 15.2 | 3.9 | 4.3 | 5.0 |
| Northern Ireland | 3.6 | 0.5 | 1.9 | 2.8 |
| UK (excluding continental shelf) | 17.1 | 100 | 100 | 100 |

The figures suggest a further point. Improvements in the communications system, road, rail and telephone, mean that the UK may be more usefully seen as a core and peripheral economy rather than an aggregation of regions. The core of the South East has spread out to its neighbouring regions in the South and Midlands, along the motorways, reaching now into South Wales. The farther from London, the slower the growth, with the extreme being registered in Northern Ireland.

Within the core there is a pattern. Just as the new manufacturing industry of the 1930's grew on greenfield sites around London and the Midland cities, then jumped the green belt in the post-war period to the new and expanded towns, so now in the Southern half of the UK it appears to be spreading beyond the ROSE regional boundaries. Table 5 shows that the highest regional rates of growth in manufacturing between 1983 and 1986 have been in the standard regions bordering ROSE, plus what is effectively South Wales. Cambridge, Peterborough, Nottingham, Swindon and Bristol can now be seen as much a part of a London-centred regional economy as Stevenage and Crawley.

Recent office decentralisation - and the regional growth rates of business and financial services - suggest that the widening of the core applies to services as well as manufacturing (Fig. 2). Barclays are moving 1,000 head office jobs from London to Coventry; National Provident has made a major move from Kent to Cardiff; Bristol has attracted relocating insurance companies as well as Lloyds Bank; the Bank of England registrar's department is going to Gloucester; Shell Chemicals have moved their entire head office to Chester. For the most part it is the routine functions which are moved out, leaving the strategic functions in London and its vicinity. There is, in short, still a regional hierarchy within the core.

The structure of this hierarchy has not changed. Rather its geographical range has expanded. Within it, the South East still remains the main focus of accumulation. Its significance is shown in Table 6. With 30% of the UK population, the South East accounted for 54% of the national increase in the fastest growing sector in the country, financial and business services. In public administration its share was a half; in transport, distribution and other services around two-fifths. Only in construction, education, health and manufacturing was its growth more or less in line with its share of population. Its dominance rests with the leading edge of the private sector on the one hand and the controlling centres of the public sector on the other.

Table 5

Sector performance by region
1983-86(GDP growth at factor cost
1985 constant prices)

Manufacturing.

| | |
|--------------------|------|
| East Anglia | 29.4 |
| South West | 21.9 |
| Wales | 18.5 |
| East Midlands | 16.6 |
| West Midlands | 13.6 |
| UK | 12.9 |
| South East | 11.7 |
| North West | 11.4 |
| Yorks & Humberside | 8.7 |
| Scotland | 8.6 |
| North | 7.8 |
| Northern Ireland | 2.8 |

Financial and business
services

| | |
|--------------------|------|
| South West | 33.6 |
| East Anglia | 32.0 |
| Wales | 29.1 |
| South East | 29.1 |
| West Midlands | 28.8 |
| UK | 26.7 |
| Scotland | 19.1 |
| North | 18.4 |
| North West | 18.1 |
| Yorks & Humberside | 13.4 |
| East Midlands | 10.7 |
| Northern Ireland | 8.3 |

Distribution, hotels
and catering

| | |
|--------------------|------|
| South West | 42.7 |
| East Midlands | 33.2 |
| South East | 28.1 |
| Yorks & Humberside | 27.8 |
| Northern Ireland | 27.3 |
| North West | 26.4 |
| West Midlands | 26.1 |
| UK | 25.5 |
| Wales | 20.3 |
| North | 17.9 |
| Scotland | 16.4 |
| East Anglia | 16.1 |

TABLE 6

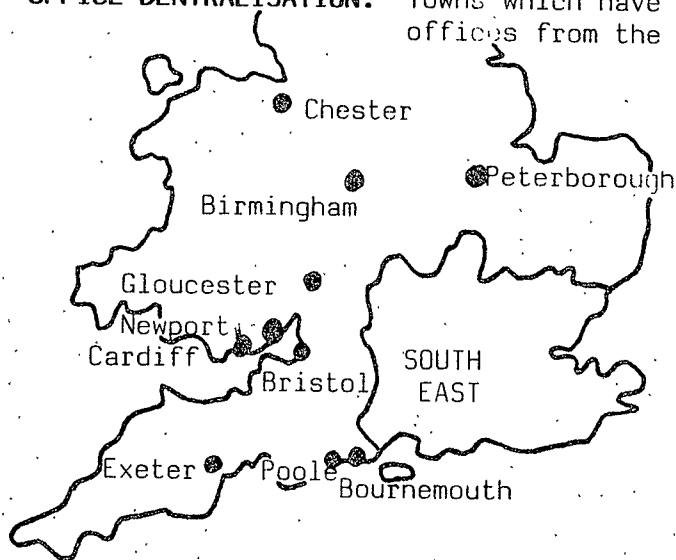
South East share of national growth 1983 - 1986
(Constant factor cost at 1985 prices)

| | % of national growth |
|---------------------------------|----------------------|
| Agriculture, forestry & fishing | 85.2 |
| Finance and business services | 54.3 |
| Public admin. | 49.7 |
| Dwellings | 46.4 |
| Other services | 45.5 |
| Transport | 41.9 |
| All industries | 40.8 |
| Distribution | 39.2 |
| Construction | 34.2 |
| Education & health | 33.7 |
| UK population | 30.4 |
| Manufacturing | 26.8 |

Source: Regional Trends

Figure 2

OFFICE DENTRALISATION: Towns which have attracted offices from the South East



As a result the South East is the focus of attraction for both capital and labour. One measure of the first is the regional pattern of property investment by the financial institution, (Table 7). 43% of their retail investment was in the South East, 75% of industrial property investment, and 87% of their investment in offices, all in 1987.

A measure of the second is the pattern of migration. Between 1971 and 1986 the population of ROSE increased by 892,000; 73% of this was the result of migration. Table 8 shows the more detailed pattern for 1986. ROSE gained 310,000 migrants in that year, nearly half from London (46%). Interestingly there was a substantial outward movement, both to London and the immediate adjoining regions, as the pressure of development in the South East pushed residents outwards.

The pattern of migration follows the movement of growth and lends support to the idea of an expanding core. In these circumstances, a national economic boom is a boom of the core, while recession hits hardest in the periphery. This certainly appears to be the case in the 1980's.

The South-South Divide

Here then is one modification of the picture of a national boom. There is a second. Even within the core, it has been a boom of some places and some people rather than others. The faults in the economic landscape of slump and prosperity do not run along regional boundaries - however they are redrawn. They cut across regions and follow other seams.

In the early 80's the clearest divide was between town and country. The 1979/82 depression hit hardest in the old industrial conurbations, with rates of unemployment in parts of London matching those of some of the worst areas in the North. While the areas of concentrated poverty spread wider in the North, there were still countervailing poles of growth in the smaller northern towns. It was for this reason that the metropolitan councils and the GLC argued that it was the cities which were the depressed regions of the 1980's.

In the South East, this divide is still sharp, between London's so-called "crescent of deprivation" at its core, and the rest of the region. But as SEEDS pointed out in one of its early documents, there is also a South-South Divide within the ROSE region: between the East and West, between the industrial towns of high Fordism (Basildon, Luton, Bedford, Oxford East) and the rising centres of the post-Fordist era (Newbury, Bracknell, Basingstoke

TABLE 7

Regional holding of institutional property (% of capital value)

| | RETAIL | | OFFICE | | INDUSTRIAL | |
|----------------------|--------|------|--------|------|------------|------|
| | 1980 | 1987 | 1980 | 1987 | 1980 | 1987 |
| Scotland | 7.9 | 7.4 | 4.6 | 3.0 | 4.1 | 2.3 |
| Wales | 1.2 | 1.6 | 0.9 | 0.4 | 1.0 | 0.6 |
| Northern Ireland | 1.3 | 0.9 | 1.1 | 0.8 | 0.5 | 0.3 |
| The North | 16.0 | 18.7 | 7.1 | 3.4 | 19.2 | 6.9 |
| East & West Midlands | 16.6 | 13.6 | 4.3 | 2.7 | 14.0 | 7.7 |
| East Anglia | 3.5 | 6.8 | 1.2 | 1.0 | 4.7 | 4.3 |
| South West | 7.7 | 8.5 | 2.3 | 1.9 | 6.2 | 4.0 |
| South East | 24.2 | 25.2 | 9.0 | 11.3 | 31.2 | 46.8 |
| City | 0.6 | 0.6 | 26.6 | 41.6 | 2.7 | 1.7 |
| West End | 8.2 | 5.0 | 24.9 | 22.5 | 0.2 | 0.2 |
| Rest of London | 14.0 | 12.4 | 19.1 | 12.5 | 25.6 | 25.4 |

Source: Investment Property Databank Annual Review 1988

Table 8

Net migration in ROSE 1986

| Origin/destination | Thousands | | net |
|----------------------|-----------|-------------|------|
| | into ROSE | out of ROSE | |
| Greater London | 143 | 79 | 64 |
| East Anglia | 17 | 24 | - 7 |
| South West | 39 | 59 | - 20 |
| East Midlands | 19 | 25 | - 6 |
| West Midlands | 19 | 19 | - |
| North West | 20 | 14 | 6 |
| Yorks and Humberside | 16 | 13 | 3 |
| North | 10 | 7 | 3 |
| Scotland | 13 | 9 | 4 |
| Wales | 10 | 12 | - 2 |
| Northern Ireland | 3 | 2 | 1 |
| UK | 310 | 264 | 46 |

Source: Regional trends

TABLE 9

Net migration by region 1986

| | Thousands |
|----------------|-----------|
| ROSE | 46 |
| Greater London | - 49 |
| East Anglia | 10 |
| South West | 47 |

Source: Regional Trends

and Cambridge), and between the coastal areas and the hinterland.

This geographical divide is only one reflection of a social one. At one level it is a division between capital and labour. The South East and South West have together about twice the amount of investment income per household as the regions of the North. But it is also a division within the labour force: between core and peripheral labour, between the employed and unemployed, between men and women, and between white people and black. As has been established for London, SEEDS research suggests that there is considerable overlap between these categories. The majority of the peripheral labour force is made up of women and black people, though the number of black people in the ROSE labour force is a third lower than the national average (see Table 10). However, among ethnic minorities in the labour force the rate of unemployment is twice the regional average according to recent Department of Employment statistics, and even on the officially adjusted figures averaged 14% between 1984 and 1986. More generally it is the peripheral labour force which is most likely to face unemployment, which is worst paid, least unionised, least trained and most unprotected by those employment protection measures that remain. Peter Townsend's study of poverty and labour in London in 1985 shows how severe inequality can persist in the South East, even during an upturn (see for example Table 11). We should remember, too, the results of Doreen Massey's research which showed that the South East had the highest level of inequality of all regions in the UK.

As with unemployment rates, there is some geographical patterning of this divide within the region. Hook in Hampshire has 27% of its population with some form of higher education, whereas in Basildon the figure is only 7%. Brighton and other South coast resorts appear high in the national ranking of deprived areas drawn up by the Department of the Environment. The point in terms of regional policy is that we should no longer be dealing with issues of distribution between a patchwork of regions. The question has rather become one of the division between the core region and the periphery on the one hand, and the divide within regions on the other. In other words, regional policy must be intra-regional as well as inter-regional.

Europe and the South

This brings me to my third main point about the national boom and concerns its cause and context. I have argued that its location is mainly in the South. But that same Southern boom should not be seen so much as national growth located in the South, but as one part of European growth. The South

TABLE 10

Ethnic Minority Labour force and Unemployment in ROSE and GB
(1984-1986 averages)

| | ROSE | | | | |
|--------------------|-------------|-----|-----|-----------------------------|---------------------------|
| | No 000's | % | UK% | Per cent unemployed ROSE | Per cent unemployed GB |
| Total labour force | 4260 | 100 | 100 | 7 | 11 |
| Ethnic minorities | 105 | 2.5 | 3.9 | 14 | 20 |
| of which: men | 64 | 2.6 | 4.1 | 13 | 21 |
| women | 41 | 2.3 | 3.7 | 16 | 19 |

Source: Employment Gazette March 1988

TABLE 11

Distribution of Taxable Income 1984/5

| Range of taxable incomes above £2,000 | % | | |
|---------------------------------------|------|-------------|------|
| | ROSE | East Anglia | UK |
| 2,000-2,999 | 8.6 | 9.0 | 10.7 |
| 3,000-3,999 | 9.1 | 8.4 | 9.8 |
| 4,000-4,999 | 9.9 | 10.4 | 10.5 |
| 5,000-5,999 | 8.8 | 13.7 | 9.3 |
| 6,000-7,999 | 15.2 | 17.7 | 16.5 |
| 8,000-9,999 | 12.6 | 14.6 | 13.4 |
| 10,000+ | 35.9 | 26.1 | 29.8 |
| Total | 100 | 100 | 100 |
| Under £100 a week | 27.6 | 27.8 | 31.0 |
| Under £120 a week | 36.4 | 41.5 | 40.3 |

Source: Inland Revenue

East's economy needs increasingly to be analysed within a European rather than a national context.

The point struck me forcibly during my visit to Swindon. The airline booking consortium had chosen Swindon out of some 130 alternative locations in Europe. It was oriented primarily to the European market. So was the Readers Digest office in Swindon that mailed 80 million items to Europe in a year. At the time I was there, one of Swindon's 35 US companies - PHH the vehicle fleet management firm - was moving into its new European headquarters in the town. Three others already had their European headquarters there (AMI Microsystems, Intel and National Semiconductors), and there are also a number of UK transnationals serving international markets from Swindon. Significantly, half the US companies there had been set up in the 80's. For the 55 electronics companies the figure was nearly three quarters.

Unfortunately there is no detailed survey evidence to register these changes more accurately. The only recent official data we have on foreign investment and the regions shows that some 23% of manufacturing output was produced by foreign owned companies in the South East (24% in East Anglia), and we know from case studies that many of the major ones now organise their plants within an overall division of labour (Ford, General Motors, Peugeot, IBM, ITT, Kodak). For UK multinationals, too, the European market is becoming the effective home market with the approach of 1992.

A clearer window on to these changes is provided from a quite different source - the air industry. The South East is the centre of the European airport system. Heathrow and Gatwick are the two largest international airports in the world. By the end of the century Stansted may well have become the third. Quite apart from their leisure traffic they are the focus of international business travel. This traffic is an index of the increasing internationalisation of the economy, and it has been rising rapidly. Between 1982 and 1986 business trips into and out of the UK rose from 5.16 million passengers to 6.53 million, a growth of 27%. The bulk of this is focussed on Europe and originates from or is directed to the South East. 60% of all air movements to and from the South East airports were European in 1987/8. 74% of all business trips in the UK started in the South East. As studies of the impact of airports on location have found, internationally oriented firms prefer to be within striking distance of a major international airport - and in the UK that means Heathrow or Gatwick.

The South East's airports therefore are one of the central spines of the new

international economy. Their location in the South East identifies the region as the space for that growing type of international investment centred round internationally mobile technical and professional labour. Their expanding use for European business travel registers the extent to which the South East economy and its growth must necessarily be seen as the growth of a European region rather than simply a British one. Significantly, only the South East region approaches the level of per capita output of the core countries of the community. (Table 12).

One consequence of the consolidation of the European internal market is that firms seeking to expand can play off one place against another. We have seen how Ford has done this within the EEC, negotiating with governments, unions and local authorities on subsidies, tax reliefs and labour organisation. The UK has attracted a substantial proportion of Ford's new European investments in the 80's in part because of cheap labour costs, in part because the subsidy and tech regimes in the UK have undercut those of other EEC countries. I want to suggest that the South East boom should in part be understood in such terms. For the Government's policy of liberalisation and deregulation has been directed at undercutting the level of social organisation, regulation and taxation of its European partners, in order to attract European accumulation to the UK.

The most evident example has been the labour market. The attack on the trade unions and the relaxation of a range of employment protection laws has meant that UK labour is not only the cheapest in the EEC, it is also one of the least protected. Like Ireland, the UK has become a labour haven.

Fiscally, the UK has long been regarded as a tax haven for larger companies. This can be seen both from the advice of international taxation manuals and from Kay and King's study of tax payments by 21 major companies in the UK which showed that only four paid any tax at all in the period studied. It appears that there is now a similar global strategy being applied in the personal tax field. Nigel Lawson's tax cuts for the highly paid were introduced with at least one eye on mobile international managers, and the mobile firms for whom they worked.

In the field of finance, deregulation was explicitly defended in terms of the strategy of making London the main international financial centre in Europe. A similar policy has been followed in telecommunications. The UK now has the most liberal telecoms regime in Europe, notably with respect to the private corporate development of Valued Added Network and the low charges for international calls. As a result the UK handles 50% of all

TABLE 12

Per capita GDP in the EEC

1983 index, EEC = 100

| | |
|--------------------|-----|
| Lower Saxony | 230 |
| Paris Basin | 174 |
| Brussels region | 172 |
| West Holland | 157 |
| Denmark | 142 |
| West Germany | 138 |
| France | 122 |
| Luxemburg | 120 |
| Netherlands | 119 |
| South East England | 118 |
| UK | 104 |
| Lombardy | 103 |
| North West England | 102 |
| Wales | 102 |
| Scotland | 100 |
| East Anglia | 97 |
| South West England | 97 |
| Italy | 80 |
| Ireland | 67 |
| Spain | 53 |
| Greece | 46 |
| Portugal | 28 |

Source: Statistical Office of the EEC

transatlantic telephone traffic within Europe, some countries routing their American calls through London.

Oftel, apparently set up to regulate the privatised telecom system in this country, in fact has as its focus of concern the promotion of the UK telecoms industry in European competition. There are similar examples of such 'light regulation' strategies in the pharmaceutical industry (relating to the use of animals in research and testing) and in the growing cultural industries (notably satellite broadcasting).

Some of these advantages apply throughout Britain. Since land and labour costs are higher in the South East, and the fiscal incentive less, this has meant that manufacturing investment has gone to the regions. But for those transnationals and exporters making intensive use of telecoms and air transport, there is an incentive to locate in the South East and its neighbouring areas, because of the concentration of advanced telecoms networks and the airport system there.

My argument is then that one of the key results of deregulation in all its forms has been to attract European accumulation to the South East - whether the investment is made by foreign or internationally oriented UK firms. It has been a strategy for 1992.

Not all the South East's growth can be reduced to the above. The defence industry - which has for a long time been a key spine of the South East economy - is nationally oriented (but significantly has not had strong growth). Part of the growth of financial services (such as that of Allied Dunbar) is directed, like the retailing revolution to domestic consumers. The smaller software firms are geared to UK based customers, and - if we are to judge from Brecheny's sample in Reading - are more concerned to be in reach of computer facilities than of international airports (see Western Sunrise, 1987).

Yet to an extent these can be seen as spin-offs from the core international growth. Certainly the high incomes of the South East reflect the region's orientation around key international industries, particularly finance and business services. As with property, international finance has set a level against which other sectors define themselves.

What follows from this perspective on the boom? First it underlines the strength of the pull to the South East of sectors linked closely to European communications. The importance of the South East's airports cannot be

emphasised too strongly, and will be reinforced by the opening of the Channel Tunnel.

Already the prospects of the Tunnel and of the expansion of Stansted are pulling development to the East, aided by the upgrading of the supporting road and to a lesser extent rail system. It was strong trade union and political pressure which swung Pilkingtons away from their consultant's advice to build a new plate glass works in Thanet rather than St. Helens, in spite of Kent's much higher costs. The very disparity of the land, labour and operating costs between North and South only served to underline the South's other locational advantages when it comes to serving the European market.

Secondly, the attraction of the UK is potentially open to erosion if (i) other EEC countries match the UK's deregulation and tax cuts; (ii) the EEC itself enforces common standards within the community.

Thirdly, the presence of a core of such internationally mobile capital does pose particular problems for any public policy which aims to exert control over the social consequences and distribution of the benefits of this growth. With free mobility, any renewed level of regulation, or any redistributive tax may be expected to divert new capital investment elsewhere. As with Gresham's law of money, so in the field of economic regulations, the bad tends to drive out the good.

So much for the character of the South East boom. It makes more sense for Swindon, Berkshire, Crawley and even Brighton (with its growing international conference trade) than it does for Thurrock, Stevenage (centred on British Aerospace) or Cambridge with Oxford, Harlow and Basildon somewhere in between. But I have suggested that there are links between them, and that what happens to the South East's international economy will affect them all.

II. THE CRISIS IN THE BOOM

The Government's policies of deregulation and regressive fiscal and labour market policies have played some part in attracting the European boom to the UK. They have also reinforced the pressures which have concentrated growth in the South, and ensured the social inequality of its distribution. Yet, from the Government's point of view, the paradox of its policies is that the boom itself is running into difficulties because of its consistent promotion of the market over the plan.

I want to discuss this paradox in relation to three features of the South East economy, the labour market, housing and transport. In each case, Government policy has led to a situation which employers now see as threatening the boom.

Labour

First, labour. The growth of the last two years has led to widespread shortages in the region. As unemployment has fallen, unfilled vacancies have grown. A recent survey by the British Chamber of Commerce for the third quarter of 1988 reported that shortages of skilled labour in the South East have almost trebled in two years. In the Thames Valley area, 84% of manufacturing companies said they were having difficulty in recruiting compared to 29% two years ago, while 77% of all companies in that area reported shortages of professional staff. In East Anglia 49% of companies reported shortages of skilled manual staff compared to 30% only three months before.

A similar picture emerges from the experience of SEEDS towns. In Cambridge, unfilled vacancies have risen consistently since 1985, and shortages are reported in leisure services as well as in the public sector. In Harlow and Crawley likewise the councils themselves are finding it increasingly difficult to fill vacancies, and the same is true for a number of the large public employers like British Rail and the Post Office. The Post Office in the South East, with the greatest throughput of mail, has the worst record of next day deliveries for first class post (64%) primarily because of recruitment difficulties. In the private sector there are consistent reports of labour shortages; not only white collar professional and technical staff, but skilled manual workers as well. In Stevenage, Crawley and Brighton, I have also been given reports of shortages of semi-skilled and unskilled labour.

West Sussex County Council recorded serious labour market overheating in their September 1988 county report, particularly in the mid-Sussex area, where Gatwick airport plays a central role. Crawley employers have commissioned a joint private study of the local labour market because of the seriousness of the recruitment problems at all levels.

According to free market theory, such overheating should correct itself in the following way. First, wages should rise and this would encourage new entrants into the labour force; it would encourage existing workers to work for longer hours (even when the higher payment is restricted to overtime).

and it would attract in workers from other labour markets.

It might also encourage labour substitution by the introduction of labour saving technology and work methods, or failing all else, a shift of location to surplus or cheaper labour market areas.

We have no overall wage data for the region as a whole over the past two years. Certainly overtime has increased in manufacturing as can be seen from Table 13. The proportion of workers doing overtime has risen from 35.5%, and the average amount of overtime worked likewise, from 9.1 hours to 9.5 hours a week. As a result, in spite of a fall of 6% in manufacturing operatives between September 1986 and June 1988, total hours of overtime increased by 70,000 hours. About 20% of all manufacturing working hours are now worked as overtime.

Women's participation in employment has also increased by 3.7% in the twelve months between March 1987 and March 1988, raising their share in total employment from 45.6% to 46.3% as a result (Table 14). Employers with whom I have talked see the women's labour market, particularly those with young children or other dependents, as an important potential source of new labour. In Crawley the district council has taken the lead with two other public sector employers in establishing day care facilities. In Cambridge, in an attempt to attract and retain staff, the Co-op has offered child care allowances of up to £40 a week (FT 7.10.88), together with free bus travel, as well as improving pay for check out operators. At Gatwick women are bussed in from Bognor, Worthing and the North coast of Kent to work in low paid cleaning and catering jobs. Employers in the area are developing new shifts and job sharing in a further attempt to attract women. Policies for whose promotion local councils were vilified no more than two years ago are now the centre of private labour market policy.

What appears to be happening is that employers are first seeking ways to attract new labour without raising the general wage level. Though the extra labour will cost more, there is no necessary gain for the existing workforce. Policies to attract women workers fall under this heading, as does the more widespread use of bussing and contract labour recruitment from outside the region. The construction industry - in which there are shortages throughout the South-East - has been a traditional area for contract labour, but I have also come across the same practices in engineering.

TABLE 13

Overtime worked in manufacturing
industry in the Rest of the South East

| | Total manufacturing operatives ('000's) | No. doing overtime ('000's) | % | Ave hours of over- time per operative working overtime | Total hours of over- time ('000 |
|-----------------------------------|---|------------------------------------|------|---|---|
| Sept 1986 | 614.9 | 217.0 | 35.3 | 9.2 | 1,991.4 |
| Sept 1987 | 579.0 | 206.4 | 35.6 | 9.6 | 1,972.8 |
| June 1988 | 577.0 | 216.4 | 37.5 | 9.5 | 2,061.8 |
| % age change Sept 86 - June 88 | - 6.2 | - 0.1 | | 3.3 | 3.5 |

Source: Employment Gazette

TABLE 14

Female employment in the Rest
of the South East (thousands)

| | March 1987 | March 1988 | Change ('000s) | % |
|---|---------------|---------------|--------------------|-----|
| Women in paid employment | 3368 | 3492 | 124 | 3.7 |
| of which: | | | | |
| part time | 1373 | 1421 | 48 | 3.5 |
| Men in paid employment | 4010 | 4058 | 48 | 1.2 |
| Total in employment | 7378 | 7550 | 172 | 2.3 |
| Part time women as a % of all women in paid employment | 40.8 | 40.7 | | |
| Part time women as a % of all people in paid employment | 18.6 | 18.8 | | |

Source: Department of
Employment Gazette

One of Brighton's major engineering firms has been employing skilled craftsmen from the Midlands through a labour contractor; the workers stay in bed and breakfast lodgings in Brighton, returning north at the weekends. At Stansted, Qualitair, the large aircraft maintenance company, started as a maintenance labour contractor and still retains a contract labour staff at its core (and is setting up at Manchester airport on this basis). The rise and spread of temping agencies is part of the same phenomenon.

The trend appears to be a growth in the labour market catchment areas, with longer journeys to work by daily commuters particularly from the South Coast, and - at least from the Essex evidence - an increased drawing on Northern labour, lodged in accommodation, caravans or company hostels. These are the conditions traditionally associated with migrant labour, but such migration is now within the UK itself. We should note too, that Irish immigration, having been halted for a time, has now revived in its historic form.

These examples are symptoms of the pressure rather than long term solutions. Each provides a measure of short term elasticity. In the longer term employers in the South East face three limiting factors. First, the option of relocating is restricted, particularly for those dependent on the professional and technical labour market which has been concentrated above all in the South East. Second, there are problems of housing which I will discuss in a moment.

Third, there are national shortages of skill, as a result of the run down of the ITB's and the profound inadequacy of the successive MSC alternatives. As repeated reports on the UK's relative level of skill and training have shown, the market is an inadequate means of providing training because of what economists call "the free rider problem" - the fact that firms will always have an incentive to poach skilled labour trained by their competitors rather than invest in training themselves. Thus it is that in the recent Chamber of Commerce survey, even manufacturing firms in the North East, Merseyside and Manchester were reporting shortages of skilled labour of 29%, 43% and 45% respectively.

In order to overcome these skilled labour shortages, more firms are following an alternative strategy. This involves providing training and/or introducing a range of incentives and conditions to bind skilled and professional labour into the company in the manner of the Japanese.

Amongst the largest companies in the region we can see emerging what is in effect a corporate welfare system, with employees offered not only a wage, but - according to level - company cars, private health insurance, private pensions schemes, subsidised personal loans and mortgages, as well as life insurance. Private health insurance has spread particularly rapidly among skilled manual workers as well as professionals. Three years ago five million people were covered by private health insurance, three quarters of them paid by employers, and the great majority of them for labour in the South. When these packages are added to planned training and career programmes, and set beside declining public provision in both welfare and education, it can be seen how the growth of the South is leading to a deepening rupture between the core and peripheral labour force.

While the growth continues, these shortages are liable to intensify. A CBI survey of employers in Kent, Surrey and East and West Sussex showed that 71% of those surveyed expected their workforce numbers would rise over the coming two years. In Crawley, Gatwick is due to expand by three thousand in airport related employment over the next few years and Stansted's expansion is forecast to require 6,000 to 8,000 new workers by the time it opens in 1992. Both Harlow and Cambridge expect to feel the effects of this new Gatwick growing within their catchment areas. In Stevenage, Glaxo have recently announced a £535 million investment over 5 years in a complex of 27 acres which will eventually employ 4,000 to 5,000 workers. Swindon, meanwhile, continues its pace of expansion. Only a new recession can offset a further tightening of the labour market and a deepening of the divisions.

Housing

The structure of division are also evident in the second area I want to discuss - that of housing. The issue here has been twofold. First, the pressure of immigration and the fragmentation of households has increased the demand for housing, and coupled with increasingly generous mortgage credit, this has led to a residential property boom. In spite of more than half a million new dwellings being completed in ROSE in the decade between 1976 and 1986, house prices in the region rose by 62% between 1980 and 1986, and by a further 50% in the last two years. In the last two months there are reports of South East prices stabilising, and recent interest rate rises have strengthened the arguments of those who foresee a fall of up to 20% in the coming year.

Yet while the underlying economic boom itself continues, even a fall of this size would not resolve the problem of in-migrating demand, nor the barriers presented by high house prices which employers are reporting from their recruitment experience. (Only 4% of the employers surveyed by the CBI in the four southern counties said that house prices and the lack of rented accommodation was not a problem, and 61% said it was a major one).

One cause of this rise in prices is the government's lack of any substantive regional policy. Another, which has been emphasised in recent research by John Muellbauer at Oxford, is the disappearance from 1981 of mortgage interest rationing, and the continuation of mortgage interest tax relief which has helped to guarantee real rates of return overshadowing those on other assets. He argues further that house prices have been a major factor in inflation, partly because they are an element in the cost of living which will feed through to the wage, even if they are not fully reflected in the Retail Price Index; partly because they constitute a barrier to labour mobility (from the North to the South) and thus lead to premature shortages and wage inflation in the fastest growing areas. As a result rising house prices feed wage increases and wage increases further fuel house prices. According to his estimates, real house prices and regional differentials have added 4% to real wages and, because of feedbacks, much more than that to the nominal wage into 1988. He concludes - a propos the end of mortgage interest rationing - that "it is ironic that at the very time the monetarist cure for inflation was being implemented (in the early 80's), the mechanisms effectively to control mortgage credit were being dismantled."

The market in housing has operated with a strong speculative element - strengthened by the search of money capital for profitable outlets. This has pushed up the mortgage: income ratios to historic highs and strengthened the barriers to labour mobility which Muellbauer describes. This is one divide. The second more serious one affects those within the region as the result of the Government's forced run down of public housing stock. As Table 15 shows, in the five years between 1981 and 1986 the share of public housing in the overall housing stock fell by between 3 and 4 percentage points in the three Southern regions outside London, and the private renting and housing association accommodation by a further two percentage points. In the new towns the fall has been particularly severe.

In the ROSE region 71% of all houses were in the private owner occupier market in 1986, as against 61% a decade earlier.

TABLE 15

Housing tenure in South of England

| | ROSE | | | East Anglia | | | South West | | |
|---|------|------|------|-------------|------|------|------------|------|------|
| | 1976 | 1981 | 1986 | 1976 | 1981 | 1986 | 1976 | 1981 | 1986 |
| Owner occupation | 61 | 65 | 71 | 56 | 60 | 67 | 62 | 65 | 70 |
| Local authority or new town | 24 | 23 | 19 | 27 | 25 | 21 | 22 | 21 | 18 |
| Private renting and housing association | 14 | 12 | 10 | 17 | 14 | 12 | 16 | 14 | 12 |

Source: Department of the Environment

One consequence has been that new town housing has been taken over by those working in London. Another is that an increasing number of people have been effectively excluded from both public housing and private owner-occupation. The rise in house prices has meant that around half of the region's population cannot afford to be first time buyers. The result is increased over-crowding and homelessness. In Harlow the average waiting time for a council house has risen from 2.5 years in 1982 to 4.5 years in 1988, and the waiting list has increased by nearly 60% over the same period. A report earlier in the year from the Royal Agricultural College in Cirencester observed similar problems in rural housing:

"Particularly disadvantaged are elderly people and young people under 30 without children, often on low incomes and without secure accommodation; their difficulties arise not only because of their inability to buy, but also because of the virtual demise of the private rented sector and the low level of social housing provision. They may be homeless, or homelessness is threatened; they live with relatives, in caravans or winter lets, in tied or other private rented accommodation or perhaps in unfit housing."

For those on low incomes the market cannot provide an answer. Private rented accommodation will necessarily reflect the level of land and house prices. The lack of market power of peripheral workers will mean that wages will not rise so that they can afford reasonable housing; as happened before the coming of public housing, those on low incomes are forced into ever-worsening living conditions, or out of the area altogether.

Employers themselves are recognising the seriousness of the housing situation for their own recruitment policies. British Rail has leased family flats in Crawley for a seven year period for some of its drivers. The British Airports Authority have also invested in a housing association scheme to provide units for its staff. But overall only a small minority of companies are providing company housing (7% according to the CBI survey). The great majority instead provide subsidies for removal costs, temporary housing, or mortgage interest subsidies, none of which provides a long term answer to the lack of affordable housing.

In sum, the introduction of a deregulated yet subsidised private market in the South East has stimulated house price inflation, worsened living conditions, and raised rents for those who cannot afford private housing, and at the same time imposing barriers to labour mobility across a wide range of skills.

Transport

The consequences of the location of jobs and the price of housing are both reflected in a gathering crisis in the third area I want to discuss - transport. During the 1980's, demand for all three main forms of transport - road, rail and air - has been surging in the South-East and is reaching well beyond the forecasts of official planners. Traffic on major roads in the region has been growing at 7% a year, against a national rate of 4%. The result has been road congestion and falling traffic speeds, with three lane sections of the M25 designed to carry 85,000 vehicles a day now up to 131,000. On Network South East peak traffic rose by 9% between 1984 and 1986, and by a further 6% in 1987. In the morning paper which has arrived as I write, there are details of an official report forecasting a 20% growth in rail commuting into central London on peak and 30% offpeak, with higher estimates - still low according to outside planners - of between 30 to 45%. Even at the lowest estimates, £1.5 billion would be needed to 'relieve any of the problems'.

In the air industry there is similar stress. Air traffic in the South East has been rising at 6% per annum on average for more than a decade, with a 14% rise last year. If this rate continues - sustained by rising incomes, falling prices on scheduled flights in Europe and the impact of 1992 - then demand will double by the year 2,000 (from 59 million passengers a year to 120 million). Even the BAA, who tend to err towards lower estimates have recently revised their forecasts upwards to a rate of 4%, which means 100 million just after the turn of the century. A middle rate of 5% would mean that within little more than 10 years, the region will need a new terminal the size of Gatwick's north terminal every two years, an airport the size of the current Gatwick every four years, or a new Heathrow every 7 years. It is not surprising that the Department of Transport and the CAA are working urgently on how such demand can possibly be accommodated when runway and airspace capacity (even after the new investment programme comes on stream in 1995) are limited to some 100 mppa. These gathering pressures are already serious enough to be called a crisis in the press. The same key words are used to describe travel on all three modes - congestion, delays, overcrowding, frustration, and the danger of accidents. On all three, the situation is due to get worse, and each will feed the other. The traffic to Gatwick is already causing tailbacks on the M23 exits at peak periods; increased long distance rail fares are forecast to shift some commuter traffic back to the roads; and into an already congested system we now have the effects of the Channel Tunnel to account for, particularly on the M25.

In these circumstances the Government's response has been as follows :

On roads, it uses cost-benefit criteria, so that savings on travel time are counted as benefits to balance against the costs of new roads. As congestion increases so does the size and expense of 'feasible' new roads. The Minister is now proposing to take this one step further by allowing private roads, though there are those in the Ministry of Transport who regard this as too long-term a strategy and see the only answer to congestion to be the introduction of tolls on existing roads.

In contracts on the railways the Government has required British Rail to adopt narrower financial criteria and limit their new investments to those that earn a 7% rate of return. No account is taken of the savings on road congestion by the expansion of rail, or the lowering of its prices; nor of the costs to the traveller of slower, less frequent and more overcrowded services. As a monopolist for many of its travellers, British Rail has an interest in restricting services and raising the price. It has done both, planning, like the DTP's motorway planners, at the lower end of the demand forecasts (of 2% p.a. growth) and thus finding over-capacity even on new services like Thameslink.

In the air, the Government has privatised both British Airways and the British Airports Authority, both committed to an expansion of the South East airport system because of the economies of scope, of scale, of rental values, and institutional control which they enjoy. The indirect costs of the expansion of this system - noise, road traffic congestion, and economic infrastructure outside the airport - are not borne by them.

The result is that there is not only a lack of integrated planning between the three transport modes, but even more serious, there is no adequate planning between transport as a whole and employment, housing, land use planning, and regional policy.

Yet there is a close link between them. What I have called the crisis of the boom is most fully reflected in the crisis of transport. The high growth rates in road and rail use reflect the growth of commuting, and this in turn reflects the crisis in housing. People working in London have been forced to move out and commute back in. This has had the effect of commuters gradually colonising ROSE towns. At the same time the professional and technical workers in ROSE's post-Fordist industries are moving further away from their work in search of lower house prices, and

commuting across country for longer distances. To drive from Gatwick in the rush hour on a winter evening is to see traced through car headlights a congested pattern of commuter threads woven across a countryside of minor roads to the West of Sussex and to the East, and on into the expanding towns and villages of Kent. The more that growth is concentrated in the South, and the worse the housing crisis becomes, then the greater the pressure that it puts on the roads. The more that the main gateway to Europe is concentrated in the South East, then the greater the expansion of demand for the region's airport. And the further the commuting and the worse the roads, the greater becomes the pressure on the railways.

Throughout the South, the frontiers shift, but the supply lines lag behind. As the private economic army of growth marches forward, its generals leave its co-ordination to the blunt, slow, narrow and socially savage instrument of the market. As industry's mercenaries at the front are warning, the very principles that have beckoned them forward are now threatening to cut off their progress from behind. Labour shortages, falling skills, rising wages, lack of housing, the congestion of its transport arteries - these are the elements of private industry's crisis within the boom. For those with fewer votes in the economic market, the same features are experienced as they are in the inner city - crowded housing, longer journey times, or - for women in particular - job choice restricted to the local, the low paid and the less secure. Just as this boom has seen firms move their offices out of London, so too we can witness the extension of the inner city syndrome into the rest of the South-East, making new connections between Lambeth and Tower Hamlets, and Basildon, Reading or the estates of the coastal towns.

III. ALTERNATIVE DIRECTIONS

In considering the future of the ROSE region, there is a parallel that can be drawn with London's history. London's politics like its economics has centred on three things: jobs, housing and transport and the connection between the three. This was as true in the second half of the 19th century as it was throughout the twentieth. But of the three - in the last thirty years at least - the greatest of these was transport. The politics of the GLC between 1961 and 1986 can in one sense be read as the politics of the capital's transport. Each attempt to build urban motorways and inner ring roads led to the return of another party pledged not to build them. In 1981 the non-road party added a strong public transport programme to its cause. It was issues of transport - from the popular fares policies, to roads, Stolport and the selective lorry ban - that played an important part in the abolition of the GLC.

Table 16

South East Changes in
Employment by Sector

'000s

| | ROSE | | | EAST ANGLIA | | |
|--|---------|----------|--------|-------------|----------|--------|
| | Sept 85 | March 88 | Change | Sept 85 | March 88 | Change |
| Agric, forestry and fishing | 73 | 59 | - 14 | 38 | 32 | - 6 |
| Energy and water supply | 55 | 53 | - 2 | 9 | 8 | - 1 |
| Metal manufacturing and chemicals | 109 | 108 | - 1 | 27 | 34 | 7 |
| Metal goods, engineering and vehicles | 508 | 454 | - 54 | 73 | 82 | 9 |
| Other manufacturing | 280 | 285 | 5 | 92 | 96 | 4 |
| Construction | 167 | 170 | 3 | 37 | 41 | 4 |
| Wholesale distribution, hotels and catering | 405 | 419 | 14 | 79 | 82 | 3 |
| Retail distribution | 413 | 437 | 24 | 72 | 83 | 11 |
| Transport and communications | 236 | 250 | 14 | 57 | 63 | 6 |
| Banking, insurance and finance | 378 | 471 | 93 | 57 | 65 | 8 |
| Public administration and defence | 337 | 375 | 38 | 53 | 54 | 1 |
| Education, health and other services | 846 | 945 | 99 | 140 | 165 | 25 |
| Total | 3,807 | 4,026 | 219 | 734 | 805 | 71 |
| of which: | | | | | | |
| Manufacturing | 897 | 847 | - 50 | 192 | 212 | 20 |
| Services | 2,615 | 2,897 | 282 | 458 | 512 | 54 |

Source: Employment Gazette

0056S/26/CAA

Table 17

Redundancies as notified
to the Dept of Employment

| | Rest of South East | UK | ROSE as % of UK |
|------|-----------------------|---------|--------------------|
| 1983 | 24,267 | 326,328 | 7.4 |
| 1984 | 18,262 | 245,443 | 7.4 |
| 1985 | 11,325 | 234,997 | 4.8 |
| 1986 | 14,396 | 238,001 | 6.0 |
| 1987 | 7,604 | 144,135 | 5.2 |

Source: Department of Employment

The ring road that could not politically be built in London was finally constructed in the politically weaker areas outside its boundaries. But in the coming decade the political overspill from the London problem may not be so easily contained. For the development pressures arising from the current crisis are the following:

- 1) an increase in housing. The DTI are currently locked in conflict with the Department of the Environment on this issue. Research commissioned by the DTI on housing has been left unpublished but its author issued a summary for the IEA under the heading of a phrase from Lewis Carroll: "No room, no room". Alan Evans argues that planning controls have forced those in towns in the South-East to live in more cramped conditions, with smaller gardens than elsewhere in the UK (or the US or France), in order to preserve a countryside for the pleasure of a few. He suggests expanding the urban area of the South-East from 19% to 28% of the total space. Even if the Department of the Environment resists so radical a programme from Lord Young, Nicholas Ridley is himself forcing councils to raise their housing targets to accommodate the 700,000 new households that are forecast for ROSE between 1986 and 2001;
- ii) an increase in road building. Among the schemes floated are a second private M1 and a new M25. But the pressures of congestion suggest that a much wider range of schemes will be needed, on minor roads as well as major ones;
- iii) a new rail link from the Channel Tunnel to London;
- iv) an expansion of Stansted up to 25 million passengers a year by the year 2,000, or shortly thereafter, as well as the construction of a 5th terminal at Heathrow, and associated road schemes to cope with Heathrow's increasing congestion. Within two years there may well be launched further major schemes to expand the South-East's airport capacity in the 21st century through a second runway at either Gatwick or Stansted, or the development of Manston, Maplin or an airport farther out in the region.

Each of these require not only space, but gravel pits and cement works; they generate their own pollution in the air and in the ear.

They represent an extensive answer to the problems of over-development in the South-East, reshaping it as the suburbs reshaped London before World War II. As such it will be at the centre of politics in the South-East, as of its economics, as long as this concentrated growth proceeds.

What are the alternatives? The first thing to say is that they cannot be seen as separate alternative - for jobs, or housing, or transport. For if each is planned properly - as they were in the new towns themselves - and if jobs and housing are therefore matched, then there will be less need for transport in any form beyond the wheels of a bicycle or a pair of legs. Such planning would reduce other costs, from the gravel pits to the sound and dangers of lead-filled air.

Second, any alternatives need to be planned in their European context. This is most evidently the case with the Channel Tunnel or the organisation of air routes, for in both cases an alternative EEC regional policy within the UK may need parallel planning. But it is also the case for economic growth more generally. A growth that is founded on cutting down employment protection, low wages, debased health and drug regulations, or the deregulation of financial and other markets, is in the end a fragile growth. It is subject to matching deregulation elsewhere, to the market diseconomies which led to the regulations in the first place, and skews growth away from what can be called a technologically adaptive trajectory. Furthermore, as we have seen in the South-East itself, it is a growth for some at the expense of others, and these inequalities - when sharpened as they have been in this country during the 80's - feed through to the structure of demand and from there to the structure of production. With its rising trade deficit built on a surge in imports, Britain appears to be following the Brazilian path. There the government founded its political base of power on the middle class who demanded sustained consumption of imported goods and services, while the foreign trade deficit and the gap between the middle class and the peripheral labour force widened as the country grew. In the 1980's the US became the Brazil of the advanced world. In the 1990's - to judge from the pattern of development in the South-East and the trend of trade figures - a similar course is being steered for Britain.

The battle between the internal marketeers and social Europe, which is going on in Brussels, is one which has bearing on any policy for the South-East. To narrow sharply the South-South divide it is essential that a floor is established for social and economic affairs throughout Europe.

Third, we need an inter-regional plan. There are two alternatives here. On the one hand, there could be a policy of further widening the core to the North and West. Cheap, fast transport would be the key to this, on the lines that Belgium followed for other purposes from the beginning of this century. Already the introduction of high speed trains and the electronic office have seen some spread of the London effect to the North. Two years ago there was only one season ticket holder travelling from Leeds to London. Now there are more than 300, though British Rail's increased prices for long distance commuting are likely to constrict the frontiers of the core once more.

The effect of a spreading of the core will, however, remain partial. It will not reach to Scotland, nor to the distant areas of the North and West. Instead I would suggest establishing a second core in the North, based on a network of Northern cities. The policy would entail:

- restructuring airport development in the South-East, and expanding Manchester airport to 25 mppa by the year 2,000;
- opening up the transatlantic routes to the US carriers to Manchester, and working with continental governments to ensure :
 - (a) a diversified regional airport network
 - (b) a licensing policy that allows Manchester to develop the interlining economies now possessed by Heathrow;
- investing in a freight terminal for the Channel Tunnel in Yorkshire and improved regional communication links with the Tunnel;
- requiring British Telecom to lay down an advanced fibre optic telecommunications infrastructure between the core towns of the North, and between them and the South-East and abroad;
- providing capital funds for British Rail to invest in an electrification programme linking the big cities in the North with revenue funds to provide cheap services on these routes over a 10 year period;
- directing public revenue funds for education and training in electronics to the regional hubs of the Northern core, namely Manchester, Liverpool, Sheffield, the North-East and Central Scotland;

- devolving substantial areas of Government to regional councils, including a new council for the North and shifting the Department of Trade, the Department of the Environment, and the Department of Transport from Whitehall to Manchester. This would involve providing the necessary advanced telecommunications systems to minimise the costs of distance between them and other parts of Government;
- increase the public housing programme in the Northern hubs;
- approach the EEC to request it relocates its UK office from London to the North, and expand its regional funding to the second core;
- undertake a major investment programme in road and rail to ensure effective links between the Northern hubs and other large towns in the region;
- require the Universities and Polytechnics in the Northern cities to work with their respective city councils to produce strategic infrastructural and economic plans for the cities in the light of the programme of restructuring.

In the past regional policy has given priority to directing private investment, to decentralising routine rather than strategic public functions, to treating regions as separate on a par with the South-East, and with directing policy often at the poorest part of the peripheral regions rather than their own stronger areas. I am suggesting building up a unified alternative core, with its own city hubs, linked regionally, nationally and internationally by advanced communications infrastructure, and seeking to escape from the traditional regional division of labour between the South-East's head and the region's head. The opportunity for such a strategy is strengthened by the EEC. Just as Scotland is now discussing independence within Europe, so the North can discuss the development of a second core within Europe.

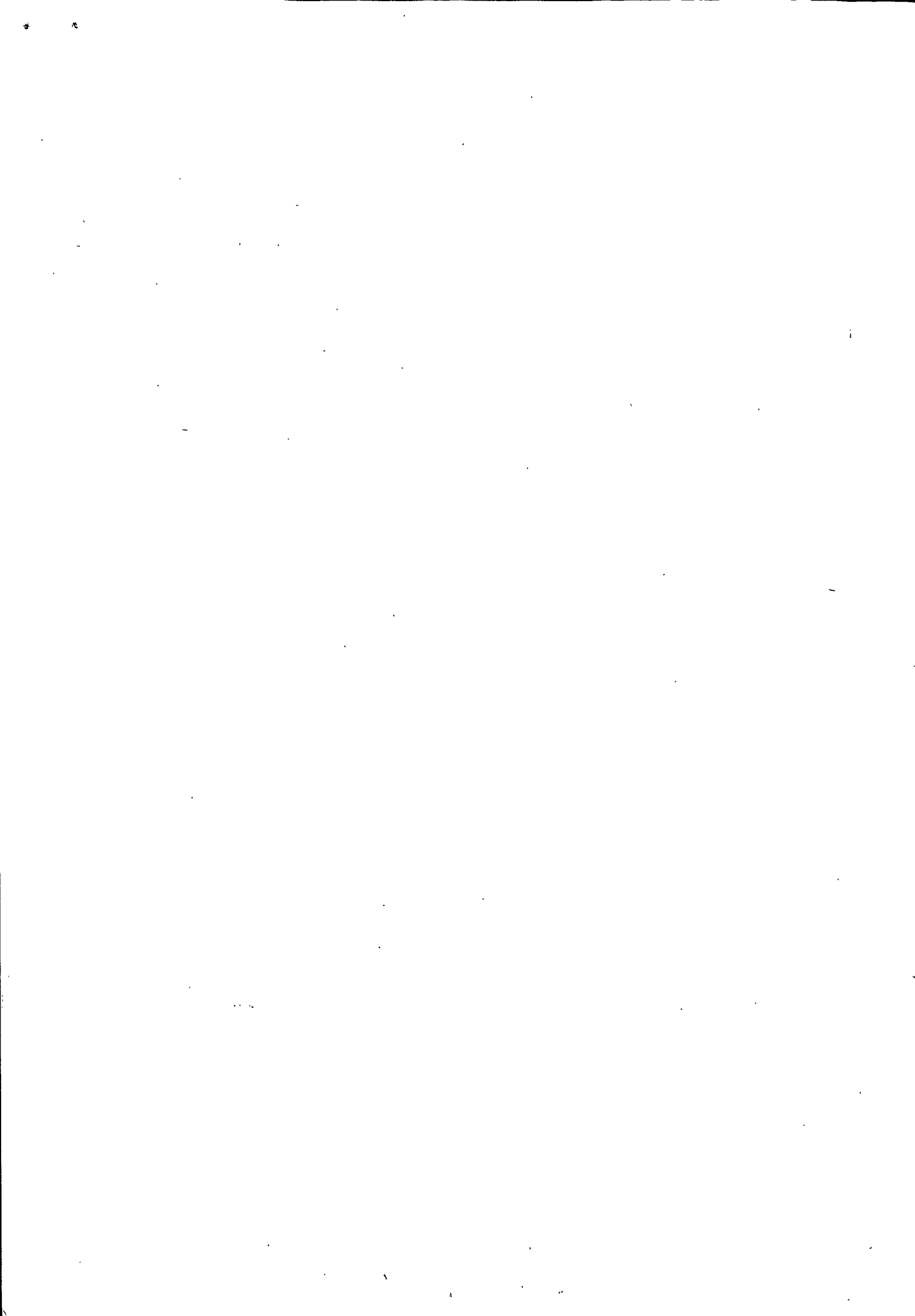
Fourthly there needs to be an intra-regional plan for the Southern core. This would be centred on the intensive development of communications and housing:

- (a) expanding the rail network through reintroducing lower fares in line with other OECD countries;

- (b) undertaking a planned policy for shifting 25% of freight from road to rail by the year 2,000 (this would involve: a set of policies related to the Channel Tunnel, investment in freight interchange depots, the expansion of an integrated public freight transport service, the banning of heavy lorries from town centres, and raising the duty upon them to cover social as well as direct economic costs);
- (c) investing in a major programme of affordable housing;
- (d) producing a rolling five year regional plan with effective planning powers, which would integrate transport, housing, employment and retail planning;
- (e) producing a five year rolling Labour Plan, to complement the regional plan, to serve as a basis for an upgraded and targetted programme of training for the housing programme, and as a guide for the regional planning of employment;
- (f) re-introducing a system of controls over the location of footloose public administration and services, including public utility investment, health service administration and central government services;
- (g) directing public capital and revenue expenditure in order to ensure that the effects of Stansted and the Channel Tunnel are directed to areas of need in the East of the region.

I have suggested that one answer to the pressures in the South is a policy of diverting some of this pressure to the North. A second is to plan housing, industry, transport and labour together within the region, in order to break through the geographical and social divisions which are still so marked. Such a policy will need to be placed within a new European framework - industrial, social and regional. It will also need a new regional strategic body to develop the programmes and the detail which will be required. If I am right that the crisis of the boom in the South-East is likely to place the region at the heart of the economic and political debate in the coming years, then the work of SEEDS and its associated bodies will be ever more important in the years ahead.

0056S/1-24/VLC



SEEDS MEMBER AUTHORITIES

**Basildon
Cambridge
Crawley
Harlow
Oxford
Stevenage
Thurrock**

AFFILIATES

**Brighton Borough Council
Herts County Council
Southampton City Council
Thamesdown Borough Council**

January 1989