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regional development

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1. introduction

By 1970 the last Labour government was spending £314 million a year on preferential aid to industry in the Special Development, Development and Intermediate Areas. This represented 2 per cent of all public current expenditure. For every £100 spent by private and nationalised industries on fixed capital formation, the state spent nearly £7 trying to direct it "to the right place." An OECD Report (*The regional factor in economic development,* 1970) showed only two of fifteen member nations spending more in absolute terms, than Britain: Italy, in the Mezzogiorno, and the USA, predominantly in Appalachia.

In addition to these direct aids for regional development, Labour introduced or extended various schemes of industrial subsidy, or social expenditure, which indirectly discriminated in favour of the less prosperous areas. The Shipbuilding Industry Board extended grants and loans to Upper Clyde Shipbuilders totalling £13 million. Under the 1967 Coal Industry Act, Labour provided special grants for mineworkers affected by NCB colliery closures, to enable the deferment of certain closures and to stimulate demand for coal from the gas and electricity industries. By 1970 £75 million had been spent on these various schemes predominantly benefiting workers in Wales, Scotland and the Northern Region. The relocation of government agencies, such as the Post Office Savings Bank to Glasgow and the Vehicle Licensing Office in Swansea, directly created 25,000 new jobs in the development areas.

Building grants for school projects linked to the raising of the school leaving age discriminated in favour of the Northern Region, where 18 per cent fewer 15 year olds remain voluntarily for a further year's education than in the South East, and Scotland with 13 per cent fewer voluntarily staying on to 16 (*Statistics of education 1968* (*England and Wales*), vol 1).

The regional distribution of other forms of fixed public capital formation was similarly biased. Scotland, Wales and the Northern Region collectively contain 20 per cent of the total population of Great Britain, but they attracted in 1969 30 per cent of all public investment in new construction on such items as housing, hospitals, schools and roads (*Abstract of regional statistics 1970*). Thus public capital expenditure averaged £62 per head of population in Scotland, £48 in the North and £44 in Wales against only £40 in the South East.

Despite the crucially competitive demand from London commuter services, £20.6 million out of a total £61.1 million allocated in 1968-69 to British Rail as "social grants" for uneconomic services, under the 1968 Transport Act, went to subsidise routes with one or both termini in the development areas (*British Rail Annual report 1969*). Under the Hotel Development Incentive Scheme out of a total £28 million grant commitment for projects approved by 1970-71, some £9 million went to Wales, Scotland and the Northern Region (*English, Welsh and Scottish Tourist Boards' Annual reports 1970*). The complementary Tourism Loan Fund, limited to aiding hotel schemes in "rural parts of the development areas" advanced some £1.4 million in its first two years' operation (*Council for small industries in rural areas, report 1968-70*). Local authorities in the development areas were given preferential access by Labour to the Public Works Loan Board.

Adding these indirect forms of aid to the £314 million level of direct incentives achieved under Labour, and making further allowance for the undisclosed cost of SET "bonus" rebates to manufacturers in development areas, the total sum spent annually on regional development certainly topped £750 million and may have reached the "annual figure of about £1000 million" claimed by one writer (Neil Kinnock, MP, *The Common Market and Wales,* Welsh council of Labour).

Prior to the General Election the Conservatives announced their intention to revamp regional policy "unshackling ourselves from the automatic nature of huge taxpayers' grants to capital intensive industry" (Sir Keith Joseph, MP, *Hansard,* 23 October 1970). In office they promptly abandoned the two central features of Labour's scheme of direct aids. The Investment and Building Grants Act 1971 replaced Labour's investment grants with preferential tax allowances for plant and machinery purchases in assisted areas. The Regional Employment Premium is to be eradicated along with Selective Employment Tax from 1974. Thus the two devices which together accounted for three-quarters of Labour's total direct aid budget were to be phased out. In announcing these measures the Tories also set their central policy review staff on a longer term re-appraisal of regional strategy.

about turn?

Despite these intentions, the pressure of rising unemployment has compelled the Conservatives to back-track on their plans. The boundaries of the Special Development Areas were extended in July 1971 and a special £69 million programme of local authority works launched. In October 1971 an additional £100 million capital schemes were brought forward. Finally in March 1972, on the basis of Rothschild's "think-tank" proposals, the Tories completely re-styled their regional policy (*Industrial and regional development*, Cmnd 4942, March 1972). Their new scheme goes some way towards restoring Labour's policies. Tax allowances are now uniform throughout the country, reinforced by investment grants in the assisted areas. Further discretionary aid is available from new regional industrial development boards. The boundaries of the intermediate areas have been greatly extended to take in those parts of Wales, the North West and Yorks/Humber excluded before. New incentives have been introduced for worker mobility and retraining. Welcome as these measures are in some respects they suffer from three essential drawbacks. Investment aids in the assisted areas are still well below the levels provided by Labour. The system of aids, although freed of some former anomalies, is now more complex than before resting on tax allowances plus grants. Above all the Tory package is liable to boost expansion in the already congested regions—where firms now enjoy equal tax treatment with the assisted areas, a higher exemption limit than previously for IDC approval, the promise of more official flexibility in granting planning approval and finance to schemes in these regions and greater government aid to workers moving into these areas from the assisted regions.

The next Labour government will face a major challenge in the area of regional policy. It will have to restore a more effective system of regional incentives and controls and to extend the positive discrimination in other national programmes in favour of the peripheral areas. British entry into the Common Market could by then have introduced a new international perspective into the economic problems of these depressed regions, have imposed some restraints on the government's choice of policies and opened up some new sources of aid. A simple resurrection of the Investment Grant and REP mechanism may well be an insufficient and impractical answer to the worsening problems of the development areas and incompatible with EEC rules.

Shortly before the 1970 General Election, the Labour Party embarked on a long term re-appraisal of regional strategy with the publication of a study group report on this issue (*Regional planning policy—report of a study group*, Labour Party, 1970). This pamphlet is intended to advance that re-appraisal one stage further, by examining the shifting objectives of regional aid, the needs for new strategies and the significance of Common Market entry to Labour's regional policy.

2. new aims for old?

A coherent regional strategy must satisfy objectives that are at once social, economic and political. Paramount in Labour's commitment to regional aid have been its twin concerns with limiting the misery and indignity of joblessness and achieving a more equitable geographical distribution of wealth.

By pre-war standards unemployment differentials across Britain have narrowed considerably. In 1934 unemployment averaged 60 per cent in the Welsh Valleys, and 36 per cent on the Clyde, against only 4 per cent in London. In mid-1970 the greatest gap was between Greenock with 6.7 per cent and Aylesbury, Crawley and Letchworth on 0.8 per cent. Even if the differences in joblessness from area to area have thus become more modest, they remain severe enough to constitute a continuing source of inequality.

Variations in incomes between the regions have similarly lessened. By 1966-67 average weekly earnings of men in full-time employment only varied between regions from a high of £24.10 in the South East to a low of £20.30 in East Anglia (K. Macleod and E. Watkin, *Regional earnings and regional development*, CES 1969). But here again a more penetrating analysis reveals fairly substantial inequalities. Household income depends not only on the husband's wages but on those of the wife and any children at work. Average weekly income per *household* ranged in 1968 from £32.60 in the South East to £25.55 in Yorkshire and Humberside. The average Londoner thus has some £7 more each week to spend on his family than the average Yorkshireman (*Family expenditure survey 1969*).

These *average* earnings conceal more severe variations in income distribution. As of 1970 12 per cent of men in full time work in the West Midlands earned under £20 a week, 14 per cent in the South East. At the other end of the scale 26 per cent in East Anglia, 24 per cent in the South West and 23 per cent in Scotland received under £20. Turning to higher incomes 10 per cent of men in the South East earned over £50 a week, twice as great a proportion as the next best region, the West Midlands (" New earnings survey," *Department of Employment gazette*, 1970). Indeed, although the variations in *average* income have narrowed, the incidence of *high* earners " is less widespread than in 1949-50" (B. E. Coates and E. M. Rawstron, *Regional variations in Britain*, 1971).

Judged by more subtle social indicators, the differences between the North, Wales and Scotland and the affluent South East and Midlands are even more profound. Within the National Health Service the development areas experience larger panels per general practitioner, fewer teaching hospitals and a greater scarcity of dentists (*ibid*). The worker in Wales spends three times as many days per annum off work for certified sickness as his London counterpart (*Abstract of regional statistics*, 1970). Within the educational system, in 1968 63 per cent of children in the South East stayed on at school for one year after the school-leaving age compared with 50 per cent in Wales and Scotland and only 45 per cent in the North. In the South East some 19 per cent stayed on to take A level examinations, against only 13 per cent in the North and 10 per cent in Scotland, although Wales, with its longstanding parental commitment to schooling, topped even the South East with 21 per cent staying on (*Statistics of education 1968 (England and Wales)*, vol 1).

At the level of personal consumption, the average family in Wales, Scotland and the North spend 3 per cent more of their weekly income on food (*Family expenditure survey 1969*). In 1969 there was one motor car for every 4.3 people in the South East against one for every 6.2 people in Scotland and the North (*Highway statistics 1970*).

The typical family in the South East spent, in 1967-68, £1193 a year on goods and services other than housing, compared with an average £1013 spent by a Northern Region family. The South Eastern family spends 10 per cent more on food than its Northern counterpart, 7 per cent more on clothing and footwear, 29 per cent more on durable household goods and a substantial 48 per cent more on miscellaneous services including entertainment (*Family expenditure survey 1969*). The Northern shopkeeper takes £182 a year over the counter for each person in the resident population compared with £244 in the South East (*Census of distribution and other services 1966*).

Unemployment and low household income may not be the sole causes of inequality between regions, but they remain the major contributors. Labour's regional policy must stay predominantly concerned with promotion of employment, but it must also attempt to counteract these more diffuse social inequalities as well.

growth management

In terms of economic policy, the narrowing of inter-regional inequalities in access to employment, and in wage levels, has become crucial to the overall acceleration of national growth. The OECD has stressed that " as countries increasingly operate in the narrow band around full employment, overall demand management needs to be supplemented by selective policies aimed at correcting regional or sectoral imbalance " (*Fiscal policy for a balanced economy*, OECD, 1968).

Under the previous Conservative government the NEDC recognised that a marginal increase in activity rates in the Development Areas could be the most important pre-condition for sustained national growth (*Conditions favourable to faster growth*, NEDC, 1963). Excluding those who continue full time education, some 5 per cent more of the male population, aged 15 to 65, in the South East find employment than in the most depressed areas elsewhere. The table below contrasts the position in outer London with that in two coalmining areas.

The lower rate of economic activity in the more depressed areas thus reflects not just a shortage of jobs, but a failure to make effective provision for the older worker, hit by the decline of traditional industry, and for victims of industrial injury or disease.

The variations in female economic activity are even more dramatic. 58 per cent of women aged 15-60, excluding students, in the Welsh Valleys are inactive and 51 per cent in Northumberland/Durham. In Outer London the proportion falls to 38 per cent. Whilst a fair number of married women will be economically inactive at any time with young children or out of personal choice, this contrast evidences a large unsatisfied demand for employment. Since a wife's preference for economic inactivity will often be stronger where male income is greater, the contrast between the South East and the development areas may be even more dramatic than these figures suggest. As opportunities for female employment represent the biggest single source of variations in household income (A. J. Brown, " Regional problems and regional policy," NIESR *Review*, 46, 1968) the family in the more depressed areas is handicapped in its quest for a good standard of living, and the areas themselves lack that modicum of household affluence which generates development of services and amenities.

It is sometimes suggested that one of the reasons for economic prosperity in one region and depression in another is that potential employers are reluctant to in-

PERCENTAGE MALES 15-65 ECONOMICALLY INACTIVE (EXCLUDING STUDENTS)

cause	outer London	Welsh valleys	Northumberland/ Durham
unemployment	2.2	5.5	4.2
premature retirement	0.5	1.8	0.9
other, including disability	1.7	3.2	3.0
total	4.4	10.5	8.1

source: *Sample census 1966.*

vest in the assisted areas because "an unfavourable reputation for labour relations will discourage industry from locating and expanding in a region. Some of the Development Areas have a long tradition of industrial strife" (*Reshaping regional policy*, para 5, CBI, March 1972). It is a pity that the CBI did not examine this wide spread myth before repeating it in an unquestioning and authoritative way.

Although it is not possible on the basis of published statistics to compare the general incidence of industrial disputes on a regional basis, a recent study of disputes in engineering concluded that "regional distribution of stoppages shows much less variation than is commonly believed" (A. March, E. O. Evans, P. Garcia, *Workplace industrial relations in engineering*, 1971) and an analysis of NCB strike statistics (NCB *Annual reports*, 1964-71) clearly indicates that certain of the assisted areas such as the North West and Northumberland/Durham lost considerably less tons of coal per man than the average throughout the country. The more depressed regions are not thus particularly strike prone, but, being predominantly low earnings areas, they have most to gain from an equitable system of wage determination.

As Sam Abrines puts it, "the development areas could well hold the key to the success, or failure, of the government's industrial relations policies. A continued lack of hope about future employment prospects will destroy the essential basis of consent" ("The Clyde's fight for jobs," *New Society*, 12 August 1971).

politics

A regional policy reflects political considerations as much as social or economic aims. "Extraneous political motives are often the determining influences in a government's regional policy. These apparently non-economic factors should not be dismissed as irrational. More often than not they are legacies from former economic policies that, in their day, were highly rational" (N. Despicht, "Long range planning and regional policy," *Long range planning*, September 1970).

The present Development Areas are largely identical to those which suffered most from unemployment in the 1920s and 1930s, are often dominated by basic industries abnormally sensitive to the business cycle and have experienced a long run contraction of manning in those activities. They are also strongholds of the Labour movement.

Remoteness from London breeds local suspicion that Labour in office, embroiled in the Whitehall machine, will lose sight of their needs. Unless allayed by an active regional policy, these fears will encourage, as they have done before, disaffection with the Party, abstention in elections or a temporary switch of allegiance to locally based "nationalism."

Labour's regional formula must blend strategies for relieving unemployment and accelerating economic growth with a positive commitment to preserve and nurture existing communities wherever possible. If Labour in government is to demonstrate its awareness of particular local needs, its regional policy must, in the selection of areas for aid, recognise the variety of economic circumstances and problems which confront different communities in Britain.

3. which development areas?

Central government currently designates parts of Britain as Special Development Areas (SDAS), Development Areas (DAS) or Intermediate Areas (IAS). Collectively these areas are loosely described as " the development areas " or as " the assisted areas." Some 44 per cent of the national workforce live in such localities. The boundaries of the SDAS, DAS and IAS have been largely determined by reference to persistently high levels of unemployment. Although this may be the best single indicator of economic misfortune, there are other symptoms, which usually accompany high unemployment but can prevail in their own right in localities where joblessness is not particularly severe. Such signs of woes to come demand attention as much as high unemployment—the signal of woe arrived.

The report of the committee under the chairmanship of Sir Joseph Hunt on *The Intermediate Areas* identified a more comprehensive set of criteria for assessing an area's needs of assistance:

1. sluggish or falling employment.

2. a slow growth in personal incomes.

3. significant unemployment.

4. a slow rate of addition to industrial and commercial premises.

5. low or declining proportions of women at work.

6. low earnings.

7. heavy reliance on industries whose demand for labour was growing slowly or falling and likely to continue to do so.

8. poor communications.

9. decayed or inadequate environment.

10. serious net outward migration.

There are other valid criteria of need which should be added to this list:

11. above average rates of premature retirement.

Crude unemployment levels often conceal abnormally large withdrawals of men from work before retirement age.

12. high levels of unemployment among particular occupation groups.

An overall low rate of unemployment may conceal higher rates for certain categories of worker such as the " unskilled " (N. Bosanquet and G. Standing, " Government and unemployment 1966-70," *British Journal of Industrial Relations*, vol x, no 2, July 1972).

13. pockets of severe depression.

Published unemployment data for travel to work areas often cover up more serious joblessness in particular communities within their boundaries. So, in the Northern Region in March 1970, male unemployment stood at 12.3 per cent in South Shields, against a published male and female rate of 5.4 per cent for Tyneside as a whole, 11.0 per cent in Bishop Auckland against 6.7 per cent male and female rate for South West Durham, 14.9 per cent in Blyth compared with 6.4 per cent for South East Northumberland, and 16.4 per cent in Chester-le-Street against an official 6.4 per cent male and female rate for the exchange group. Whilst there are sound administrative reasons for publishing unemployment rates in the current fashion, the concealment of such localised situations recalls Ellen Wilkinson's remark, on the merging of Jarrow and Hebburn exchanges in 1935, that it was " amalgamating misery with relative prosperity " (*The town that was murdered*). Outside the assisted areas several towns consistently experience unemployment levels comparable with those in Intermediate Areas, Lincoln and Chesterfield being cases in point (*Department of employment gazettes*). The comparatively strong labour demand in districts surrounding these towns probably makes development status as such an inappropriate method of aiding them.

14. abnormal sensitivity to the business cycle.

Some areas rely on dominant industries

critically sensitive to the state of economic activity. The *temporary* increase in unemployment during trade downturns is, for instance, normally greater in the relatively prosperous steel towns of Corby and Scunthorpe than in other areas with higher levels of *persistent* joblessness.

15. one company towns.

The Hunt criteria do embrace areas reliant on slow growth, stagnant or declining industries. Their difficulties are potentially more acute where that predominant activity is in turn dominated by one firm providing, say, over 20 per cent of male employment. Even where a town's major activity is in a fast growth sector of the economy, excessive dependence on the fortunes of one company carries dangers. If this main industrial sector in a community is split between a number of firms, it will normally produce a broad range of products and be susceptible to the policies and efficiency of various company boards. The whole town cannot be jeopardised by collapse of the market for one specific product, by the managerial incompetence of one board, by a single acquisition or merger, or, if the local factory is a subsidiary of a national firm, by the locational preferences of one remote Head Office.

The last Labour government undertook an examination of the " grey areas " evidencing its recognition of the need for wider aid criteria. Similarly the special provisions made for the iron and steel town of Millom and for the contraction of coalmining showed its awareness of the problem of incipient as well as current decline. It failed however to establish a commonly understood, broad set of aid guidelines.

The official acceptance of more comprehensive " economic problem indicators " would give rise to administrative and budgeting complications. Allocation of a finite volume of aid becomes a more complex operation if it is accepted that local communities within the development areas face different problems and that some of these problems are shared by towns elsewhere. Scheduling localities for aid would become a more involved administrative exercise.

The number of firms looking for sites on which to start or expand operations, and which are not necessarily tied to particular local markets, will, whatever controls and incentives exist, be limited at any point of time.

Means other than controls and incentives on industrial location may however exist to help such problem towns outside the assisted areas. Some of their community problems are not so much symptomatic of shortfalls in labour demand, as of infrastructural or environmental deficiencies. Central government already discriminates between communities, inside and outside the assisted areas, in allocating resources for such problems. Difficulties of " poor communications " and of " decayed or inadequate environment " are tackled via the distribution of road programme finance and rate support grant. Where the " Hunt situations " do reflect ultimately industrial deficiencies, these towns can be partially assisted by other types of initiative. It might be feasible to encourage firms in such areas to give long notice of redundancies under a scheme whereby should one or more years notice of closure be given then the government is responsible for the total statutory redundancy payment, for 6 months notice the present allocation of cost between the government and the individual enterprise remains but for 3 months or less then the enterprise is responsible for all of the statutory redundancy payment.

The acceptance of wider aid criteria does not imply that industrial location incentives must be spread out more thinly over more localities. Certain towns outside the present assisted areas may have to be earmarked for industrial development, but this again has been done by government in the past within the context of overspill schemes. Problem communities in these regions might benefit from selection as a new or expanded town.

Various Whitehall departments thus exercise responsibility for steering resources to specific localities both within and outside the assisted areas, or for taking non-financial initiatives which effectively discriminate between communities. At regional level the senior officials of individual ministries meet as a Regional Economic Planning Board to co-ordinate these disparate responsibilities in the interests of a broad regional strategy. In Whitehall parallel co-ordination is effected in inter-departmental committees and, if necessary, by the Cabinet.

Official acknowledgement of these broader aid criteria need not represent a major change in governmental practice. The next Labour government must ensure that the problems of specific travel to work or local authority areas are reviewed periodically in terms of these indicators. The four fold classification into SDAS, DAS, IAS and non-assisted areas could continue for purposes of industrial location policy. Various other systems of classification have been suggested, such as that put forward by the CBI (*Reshaping regional policy*, CBI, February 1972). None seem to be such an improvement on present arrangements as to justify abandoning an established and well understood scheme. However other areas outside the assisted areas as presently conceived might be designated as " communities in need of special assistance " to receive other forms of aid as described above.

Many organisations are interested in their own locality enjoying a higher development status. Local authorities, members of parliament, regional planners and non-governmental local bodies, in areas with economic problems constantly lobby government to re-schedule their community.

The considerations on which Whitehall processes such applications are shrouded in bureaucratic mystery. An acknowledgement of wider aid criteria would enable such interested parties to frame their appeals and judge Whitehall's response more effectively. An awareness that failure to achieve re-scheduling into a higher development status for industrial location did not imply governmental rejection of the need to assist that community by other means would make such decisions less politically explosive than they have previously been.

Government acceptance of wider criteria for allocating assistance between areas, need not imply an open ended commitment to substantially greater budgetary resources for regional development. It would imply that the various aids which discriminate between parts of the country should be more co-ordinated, and that new non-financial initiatives might be taken to help particular communities.

4. regional policy since the war

Between 1918 and 1939 Scotland, Wales and the North lost a net 1.5 million people through outward migration. Some 400,000 emigrated from Britain, but over one million participated in the great drift south to the Home Counties and the Birmingham-Coventry conurbation. The 1934 Special Areas Act encouraged the establishment of trading estates in the North, Scotland and Wales but failed to stem the tide of migration from these regions.

The Barlow Commission spelt out in 1945 the long run dangers of population drift and industrial imbalance between the regions and recommended government intervention to attract employment from the areas of congestion to those where labour was in abundant supply (*The distribution of industrial population,* report of royal commission 1945). Each post-war government has pursued this goal of directing employment growth to the development areas, but as their policies have differed so have their successes.

MANUFACTURING JOBS TRANSFERRED

period	new locations	locations in DAS	% to DAS
1945-51	373,000	237,000	64
1952-59	274,000	79,000	29
1960-64	553,000	238,000	43
1965-69	650,000	334,000	51

source: *Movement of manufacturing industry in the United Kingdom 1945-65,* 1968 and Ministry of Technology reports.

As these figures show, regional policy has undergone four critical changes of direction since the war. The 1945-51 Labour Government responded to the Barlow Report with its Distribution of Industry Act 1945. Large development areas were designated in Wales, Scotland and the North and the Board of Trade empowered to provide advance factories, grants and loans for incoming firms. The 1947 Town and Country Planning Act introduced industrial development certificate control over the siting of all but the smallest factory projects.

Although the Conservatives retained these powers unamended until 1960, they were only applied half heartedly and with disastrous results. Industry found the government more willing to sanction extension on existing sites. The rate of firms moving to any new location fell from 62,000 a year under Labour to only 39,000 a year in the 1950s and the proportion going to the development areas was halved. National employment in manufacturing rose by a net 354,000 jobs between 1951 and 1961, but 84 per cent of this growth was located in the Home Counties (*Census of population,* 1961).

The largest share went to the new towns designated earlier for London overspill by the Attlee government. Employment in manufacturing fell by 49,000 in what is now Greater London but rose in the other Home Counties by 299,000—far more than was necessary to cover population overspill from Central London or natural growth. Where Labour had envisaged sharing out industrial development between the development areas and the London new towns, under the laissez-faire policies of the Conservatives " distribution of industry policy attempted to reduce inter-regional drift, while the aim of the new towns was to improve conditions in the South East. The two policies came into conflict and the later won " (Coates and Rawstron, *op cit*).

Willingness to migrate to a new region is at its peak between the ages of 25 and 30 (*Labour mobility in Great Britain,* government social survey 1966). The new towns of the South East acted as a magnet for the young of the North, Scotland and Wales, as well as for those Londoners they were intended primarily to absorb. " The new town achievement was based on the immigration of a young and skilled population " whose earning power could have played a major part in the economic recovery of their native regions (R. Thomas, *Aycliffe to Cumbernauld—a study of seven new towns in their regions,* PEP 1969).

Between 1945 and 1951 Labour had successfully brought employment to many of these young workers in their own areas. In the fifties they were forced again to look southwards for work. Under the Attlee government only 36 per cent of the jobs moved by firms in the South East went to other locations in the Home Counties and 48 per cent went to new locations in Wales, Scotland, the Northern Region and Ulster. By contrast, between 1952 and 1959, 71 per cent of jobs moved by South Eastern firms went to other Home Counties sites and a paltry 6 per cent to those four development regions (*Movement of manufacturing industry in the United Kingdom 1945-65*).

Resettlement of population from the North to the South again had become a central feature of regional strategy. During the 1950s a net 63,000 people a year left the North, Wales and Scotland (*Census of population*, 1971, preliminary report), a rate of exodus only marginally lower than it had been in the 1920s and 1930s. Over the decade these areas lost some 3 per cent of their 1951 population through migration, predominantly of the young and the skilled. For regional policy the years of Conservative government after 1951 were a period of wasted opportunity.

change of heart

Following the severe unemployment of 1958-59, the government had second thoughts. The 1960 Local Employment Acts replaced the development areas with small development districts. The power to offer building grants, which had operated ineffectively under treasury control in the 1950s, was transferred to the Board of Trade and, by the 1963 Local Employment Act, increased in value. Most significantly of all the laissez-faire attitude towards granting IDCs was abandoned. The Board would only issue IDCs outside development districts if satisfied that the project was impractical within such an area.

The actual choice of development districts was inefficiently administered. Designation became tied rigidly to a 4.5 per cent rate of unemployment with the consequence that Sunderland and Merseyside were scheduled, de-scheduled and rescheduled, all within 24 months as unemployment hovered around that level.

These measures brought some relief to the more depressed regions. The rate at which jobs were transferred to new locations jumped from 39,000 a year in the 1950s to 138,000 between 1960 and 1964, and the percentage going to development areas improved dramatically. But the years of neglect had left their toll and the concentration on narrow development districts made little impact on the depressed regions as a whole.

Between 1960 and 1963 unemployment rose in the North from 2.9 per cent to 5.0 per cent, in Wales from 2.7 per cent to 3.6 per cent, in Scotland from 3.6 per cent to 4.8 per cent, and although the position in Wales and Scotland improved marginally in relation to the underlying national trend, that in the Northern Region became relatively worse. Apart from the "Walter Mitty" appointment of Lord Hailsham as Minister for the North East, the Conservatives' belated conversion to regional planning had little to offer.

The Wilson government reintroduced widely defined development areas and extended the incentives offered by the Board of Trade via the 1966 Industrial Development Act. The IDC control of factory development was stiffened and extended in 1965 to office developments. These measures stimulated more industrial movement, 162,000 jobs were transferred per annum between 1965 and 1969 against 138,000 between 1960 and 1964, and raised the proportion going to development areas.

The differentials in unemployment rates between the assisted areas and the rest of Britain were successfully narrowed. Taking the present development areas as a whole, in 1960 their level of joblessness averaged 2.15 times the national level. By 1964 it had risen to 2.20 times. By 1969 it stood at only 1.75 times the national rate and at 1.69 a week before the 1970 General Election (*Department of employment gazettes*). Traditionally the depressed areas always suffered more than the Midlands and South when the economy was flung from " go " to " stop." This did not happen after the 1967 post-devaluation crisis and Labour's regional policies deserve some of the credit.

people or jobs

Labour also attempted to reduce the drift of population from the DAs and here its success was more limited. Migration from Wales, the North, North West, Yorkshire and Humberside fell from a net 35,000 a year in the 1950s to 22,000 a year in the sixties, but in Scotland the position deteriorated. A net 37,000 a year left Scotland in the 1960s against 28,000 per annum in the previous decade. Towards the end of Labour's office there were signs of improvement north of the border, the 25,000 net exodus in 1969 being the smallest for any post war year (*Labour in action,* Labour Party, 1970).

Striking a balance between movement of industry and population is a central task of regional policy. Population drift is itself a complex interaction of various forces. Since the war in Britain some 100,000 people a year have deserted the centres of the old conurbations for the suburbs and overspill towns, some 10,000 a year have left the more isolated rural areas and 50,000 drifted from the north to the south (*Migration in Britain,* NIESR). By weakening the incentives and controls which stimulate employment in the Development Areas, the Conservatives in the 1950s upset the balance and encouraged drift. By returning to the Attlee formula of high incentives and tight controls, Labour was able after 1964 to restore more of an equilibrium.

Labour tried to push this strategy one stage further by a revised approach to new town overspill arrangements. When the Attlee Government designated Londons eight new towns they were intended to achieve a combined population of 642,000 by the end of the century against an initial 104,000 in 1950. Under the Tories the towns expanded to 336,000 by 1961 alone. Labour throttled back this growth in the sixties to reach 442,000 in 1971 (*Census of population, op cit*). Of the three additional new towns designated for London overspill after 1964, Peterborough and Northampton were outside the South East region altogether.

A more conscious effort was devoted to new town projects in other regions. Irvine in Scotland, Newton in Wales, Warrington, Runcorn and the central Lancashire new town in the North West, Telford and Redditch in the West Midlands, Washington in Co. Durham were all designated as new towns. These projects outside the South East received preferential financial aid. The capital grant from central government averaged, from the year of designation to the end of 1970, £5.3 million per town per year for these projects against only £2.2 million per annum to each of the London overspill schemes. An average 408 new jobs were created in each non-London new town each year under Labour compared with only 14 jobs a year in each of the London projects (*Statistics* (*Local government, housing and planning*), *1970*).

The same policies were applied to the expanded towns. Between 1951 and 1964 the Conservatives scheduled 17 towns for London overspill providing 64,000 homes, but of these, 11 towns, providing 43,000 homes, were inside the South East region. By contrast Labour approved 11 such sites for 22,000 homes, of which only 2 sites, with 4 thousand dwellings, were within the Home Countries. The remainder were predominantly in East Anglia and the East Midlands, although small London overspill developments were sited as far away as Bodmin and Burnley (*ibid*).

These measures all helped to reduce the net migration of population to the South and the Midlands and this was in itself a significant achievement in terms of regional policy. The assisted areas suffer however from a greater population problem, more fundamental to their economic prospects than one decade's net migration. There is a long run trend for population to grow faster in the more affluent regions. The cumulative outward migration of young and skilled workers over many decades and the tendency of immigrants to congregate in the already congested regions has resulted in fairly extreme variations in the basic rate of population growth between regions. During the 1960s population grew fourteen times more quickly in East Anglia than in Scotland (*Census of population, op cit*).

These differential rates of population growth are of profound consequence for long term regional planning in that " what matters for regional growth is not the absolute change in market size but the fact that relatively it grows less in some regions than in others and therefore capital flies from those regions where population is increasing slowly to those regions where it is increasing more quickly " (*Migration in Britain*, NIESR). An industrialist must weigh up the rival locational attractions of labour supply, where the development areas often have the edge, and market potential, where frequently the development areas are critically deficient.

Although its success was limited, the Labour government did shift some population growth back to the development areas. Taking the 1950s and 1960s population growth by region over a 10 year period was as shown in the tables below.

The same five regions experienced above average growth, the same five below average growth, in the two decades. Amongst the above average regions, the rise of East Anglia and the South West at the expense of the South East was very dramatic. At this level the population policies pursued by government did succeed in dispersing some of the South East's excessively concentrated growth potential to the two neighbouring regions which suffer from some economic problems—East Anglia with the lowest level of average household income, and the South West, with its development area problems in Cornwall and Western Devon. Amongst the below average growth regions, Yorkshire and Humberside and the North West enjoyed some, and Wales a very marked recovery, but population growth in the North and Scotland slumped disastrously. Thus the five below average regions have in no way gained as a group from the five above average regions. Collectively the former experienced a 2.2 per cent population growth in both periods, the latter a 7.1 per cent growth in the sixties compared with 7.2 per cent in the 1950s.

Between 1951 and 1971 the population of Great Britain has grown by just under 5 millions, from 48.8 million to 53.8 million, that of the five more affluent regions by 4 million from 27.1 million to 31.1 million. The population of the five less prosperous regions has only grown in twenty years by roughly 1 million from 21.8 million to 22.8 million. Thus the five more prosperous regions, which contained 55 per cent of the population of Great Britain in 1951, have experienced 81 per cent of the subsequent population growth, and, conversely, the five less affluent regions, which contained 45 per cent of the national population in 1951 have enjoyed only 19 per cent of the growth since (*ibid*). Dividing the 1960s into two

POPULATION GROWTH
1951-61

West Midlands	7.6%
South East	7.6%
East Midlands	7.1%
East Anglia	6.4%
South West	5.6%
Great Britain	*5.0%*
North	3.6%
Yorks/Humber	2.5%
North West	1.9%
Wales	1.7%
Scotland	1.6%

POPULATION GROWTH
1961-71

East Anglia	13.4%
South West	10.4%
East Midlands	9.2%
West Midlands	7.3%
South East	5.3%
Great Britain	*4.9%*
Yorks/Humber	3.4%
Wales	3.0%
North West	2.4%
North	1.3%
Scotland	0.9%

source: *Census of population, 1971*, preliminary report.

POPULATION GROWTH 1961-66	
East Midlands	5.2%
East Anglia	4.8%
South West	4.4%
West Midlands	3.2%
South East	2.3%
Great Britain	*2.0%*
Yorks/Humber	0.7%
North West	0.7%
Wales	0.7%
North	0.4%
Scotland	0.2%

halves however, more of the population growth between 1966 and 1971, dominated by Labour, was steered away from the congested regions than had been between 1961 and 1966.

role of service industry

This analysis highlights another serious limitation in regional policies since the war. The policies pursued in the two periods of Labour government did successively both increase the amount of movement of manufacturing industry in absolute terms and the proportions going to the assisted areas. But manufacturing activities as such have only accounted, since 1945, for a small part of the overall national growth in job opportunities. Out of a net rise in employment between 1951 and 1961 of 1.2 million jobs, the manufacturing sector only provided 354,000, or 29 per cent of the total (*Census of population,* 1961). Two thirds of Britain's employment growth arose in the services sector. The excessive concentration on incentives for manufacturing, in, for instance, Labour's Regional Employment Premium Scheme, may have led governments to under-rate the potential for aiding the development areas by stimulating service growth.

The last Labour government successfully helped to bring new manufacturing employment to the more depressed areas and to narrow the differences in unemployment rates between regions. On a limited scale it began to make inroads into the problem of population drift. But

POPULATION GROWTH 1966-71	
East Anglia	8.2%
South West	5.9%
West Midlands	4.0%
East Midlands	3.8%
Great Britain	*2.9%*
South East	2.9%
Yorks/Humber	2.7%
Wales	2.3%
North West	1.7%
Scotland	1.1%
North	0.8%

one aluminium smelter doesn't make a Detroit. Vast pools of unemployment remain in the development areas. Over and above the marginally higher level in these regions of men and women "difficult to place in work on personal grounds," the talents of thousands of workers remain wasted.

The next Labour government will face three central tasks in its regional policies. Manufacturing industry must again be more effectively directed to the development areas than it is likely to be by present Tory policies. Population drift must be further reduced, and service activities stimulated in these areas. These three issues are considered in the following chapters of this pamphlet.

5. moving employment

Both Labour governments since the war have succeeded in stimulating more industrial movement and in increasing the proportion of these moves going to areas of high unemployment. The " carrot " of high incentives and the " stick " of tighter IDC controls both played a part.

A stricter IDC policy in the more affluent regions directly benefits the development areas. Between 1960 and 1964, during which period the Conservatives themselves returned to a tougher IDC policy, an average 58 million square feet of additional industrial floorspace was approved each year in Britain as a whole. The South East attracted 16 million square feet a year out of this total, more than the 14 millions approved for Wales, Scotland and the Northern Region together. Under Labour from 1964-1969 new industrial floor space was approved at a national rate of 90 million square feet a year. Whilst the South East received 18 millions of this total, those three " development regions " attracted 26 million square feet a year (*Statistics for town and country planning,* series II, 1969), Thus the South East's share of IDC approved developments fell from 27 per cent to 20 per cent, that of Wales, Scotland and the North rising from 24 per cent to 30 per cent.

The next Labour government should endeavour to tilt the balance even more decisively in favour of the development areas, but as long as population continues to build up more rapidly in the non-development areas, fairly substantial additions there to employment must inevitably be allowed. Stricter use of IDC controls must therefore be accompanied by positive population policies to reverse the drift southwards.

Labour's financial incentives in the development areas jointly subsidised new capital investment and labour costs. Employment was directly subsidised through SET rebates and REP payments. Capital projects attracted building grants, preferential rates of investment grant for plant and machinery purchase and, in the SDAS, operational grants towards expenditure in a scheme's early years. At least as far as the Local Employment Act aids were concerned, these capital aids were related to the number of new jobs the project would create, their basic objective was, in common with REP, the stimulation of employment.

Tory changes

The initial changes made by the Tories undermined the assistance given both on capital and employment costs. The 1971 replacement of investment grants with tax allowances left some firms " undertaking development ten to fifteen per cent worse off in cash terms. For firms engaged in projects with high development costs, the position was significantly worse " (*Northern Economic Development Council, Annual report 1970-71*). Although industry new to the assisted areas still received building grants the tax advantage of plant and machinery purchase was slim, frequently incalculable in advance and reduced in value as rates of Corporation Tax, against which the allowances were set, were in turn reduced. " The overall effect was to narrow substantially differential investment incentives between development and other areas " (J. Rhodes, " Putting the values back into regional incentives," *Guardian,* 20 October 1971). To the nationalised steel industry alone with a planned £2000 million investment to 1980, much of it concentrated in assisted areas, this change would have meant a loss of £250 million aid.

The re-introduction of investment grants following the March 1972 announcement goes some way towards restoring this former differential, but only some way. Taking the three major forms of subsidy available under Labour—on plant and machinery, on buildings, on manpower, it is extremely doubtful that the industrialist is as well aided now as he was by Labour.

Plant and machinery purchases qualified under Labour for grants of 40 per cent in the SDAS and Development Areas, 20 per cent elsewhere. Under the 1971 Tory scheme these grants were replaced by the marginal advantage of 100 per cent tax allowance in the first year in the SDAS and DAS against 80 per cent elsewhere. Now the tax allowance is standardised and investment grants provided at 22 per cent in SDAS, 20 per cent in DAS against no grants elsewhere. Whilst the grant differential between assisted and non-assisted areas has thus been restored to its former position, the percentage value of the grant in the SDAS and DAS has been halved and in Intermediate Areas has disappeared altogether. Whether particular firms can recoup through tax allowances the value of a 20 per cent reduction in grant depends upon the size of their profit margins, and hence tax liabilities and upon the largely random relationship of those profit margins to current capital expenditure plans.

Expenditure on new buildings qualified for grant under Labour at 35 per cent in the SDAS, 25 per cent in the DAS and 20 per cent in the Intermediate Areas. Although these rates were temporarily increased by the Tories in 1971, they now stand well below the former Labour levels at 22 per cent in SDAS, 20 per cent in DAS and Intermediate Areas. Again the ability of firms to recoup the lost grant depends on their abilities to manipulate the Tory 40 per cent initial tax allowance on building costs.

Manpower was subsidised by Labour under the SET-REP which provided manufacturers in the development areas with an annual grant of £97.50 for each adult male employed. No plans have been announced for an alternative manpower subsidy to replace REP when it is phased out in 1974. The announcement of the plan to end REP provoked grim predictions of contraction and possible bankruptcy from many firms (Peter Jay, *The Times,* 21 January 1971). Industry in the Northern Region alone will lose aid worth £35 million a year (*Notes for speakers—the regions,* Labour Party, 1970). The Conservatives temporarily transformed Labour's operational grants from a subsidy on total industrial costs to one based on labour costs, but these were only available in SDAS, only for the first three years of a project and did not on average yield more aid on the new basis of assessment than they did on the old. There was a danger this revised SDA aid "would merely redirect jobs from the DAS rather than increase total employment" (D. MacKay and K. Allen, "Giving a fair deal to the regions," *The Times,* 2 September 1971), but in the March 1972 proposals this aid was abolished altogether removing the last vestige of labour cost subsidy from the Tory scheme.

In addition to these "automatic" grants made available by Labour additional selective assistance was available for projects in the development areas under the local employment acts. The Tories have now altered the machinery for administering such selective aids but have only marginally increased the total expenditure involved.

The next Labour government should restore an incentive system with differential attractions in development areas at least as good as they were when it was previously in power. Although a simple return to investment grants and SET-REP, as operated before, would meet these aims, other deficiencies present in that system must be avoided in future. Aid to new industry must be complemented by more readily obtainable aid for established undertakings wishing to expand in those areas. The investment grant system was too rigid, not sufficiently discriminatory between one industrial project and another. A greater deal of aid was paid out to projects which would have gone anyway to development areas —a risk that can never be totally eliminated but could be more effectively contained. At the other end of the scale the proportional aid for particularly capital-intensive projects was reduced by the "cost-per-job" rule, limiting capital expenditure eligible for certain grants to around a maximum £1,600 per job created. Although this rule reinforced the basic objective of stimulating employment, some high "cost-per-job" schemes nonetheless provide substantial employment and confer other benefits—introducing a high wage plant into a low wage area and retraining workers in modern technological skills.

The Tories have gone some little way

towards tackling these shortcomings in the structure of aid but at the price of relying on an unwieldy combination of grants and tax concessions and at too low an overall level of exchequer commitment.

new investment grants

These objectives could be met by restoring investment grants for plant and machinery purchases at around their former levels of 40 per cent in the SDAS and DAS, 20 per cent in the IAS. Similarly building grants should be revised to their former rates. The present tax allowances could then be abolished. These automatic grants should be supplemented by selective regional development funds, administered at regional level. The new selective aids introduced by the Tories would thus be greatly expanded.

Firms desiring such aid would have to submit to greater regional control over their specific location. This extra regional aid might be given as cash grants or via infrastructural support for the incoming scheme. Normal aids would thus be supplemented by "contract programmes," as common abroad, through which regions strike direct bargains with industry rather than rely totally on automatic grants.

Regions could also use their development funds to assist established firms undergoing rationalisation of manning to do so more slowly. To retain a balance between the supply of and demand for labour in an area, the rate at which some existing firms contract is as vital as the speed with which others expand. Such direct links between the region and its industries would stimulate greater co-operation on regional problems—an approach which has demonstrated its value in Europe.

Outside the assisted areas, Labour provided 20 per cent investment grants for plant and machinery expenditure—equal to the Intermediate Area rate. In 1968-69 alone, out of a £429 million investment grant budget, some £230 million went, in 20 per cent grants, to non-development areas (*Board of Trade annual report on investment grants, 1969*). Cutting this rate to 15 per cent would increase the margin between grants available in assisted areas and those elsewhere. Part of the £60 million per year thus saved (on 1968-69 figures) could finance regional funds in these "non-development" areas enabling regions concerned to raise grants to the former 20 per cent rate for certain favoured projects only.

in place of SET

SET-REP equally had shortcomings. Although premiums were belatedly extended to the hotel industry in relevant areas, REP underlined a pre-occupation with manufacturing's role in regional growth. Labour's study group recommended its replacement by a payroll tax with regional differentials (*Regional policy—report of a study group,* Labour Party 1970). This concept merits more study, but straight manpower taxes may not be the best answer. A payroll tax varied between regions would anyway prove incompatible with EEC rules (*Britain's regional policy and* EEC *rules,* European community, January 1971).

The precise alternative tax chosen will depend on the overall tax structure Labour inherits. One possibility would be to lower marginally the effective national rates of Value Added Tax, assuming VAT is in force and cannot be abandoned, and then "penalise" industry and commerce in non-assisted areas through a new "congestion tax." Taken together these measures would lower tax rates in assisted areas and raise them elsewhere.

A "congestion tax" would reflect the widely accepted fact that mass agglomerations of people and employment, as in Greater London or the West Midlands, entails higher unit costs in providing essential services. Urban roadways and commuter transportation systems, as just two examples, can only be modernised at high cost. The GLC's motorway plans and British Rail's schedule of improvements to South Eastern commuter facilities require £2000 million by 1980. Concentration of industry and commerce in such areas bears most of the responsibility for these excessive social costs. The rating system does not impose sufficient penalties on them, as the suggested introduction of industrial super rating evidences (*Local government finance,* green paper, 1971). A congestion tax, as an alternative or supplement to super rates, would secure, in economic jargon, a more effective "internalisation of external dis-economies" (A. Hirschman, *The strategy of economic development*, 1959).

The rate of tax could be related to a firm's operations measured by manpower and output. Firms in particular "uncongested" districts within non-development areas, as identified by the Hunt criteria outlined earlier, could be legitimately exempted or taxed at a lesser rate.

The revenue raised could finance both increased central government grants to local authorities and transport undertakings in the congested areas themselves, and the Regional Development Funds for assisted areas to which industry and population must move to relieve the congestion. As 16 million people are employed in the non-assisted areas, if an eighth of that area was exempted under Hunt criteria, it would only take a tax averaging £18 a year per worker employed to raise £250 million in this way.

In 1962 it was estimated that two-thirds of private industry in Britain is potentially "footloose" (W. F. Luttrell, *Factory location and industrial movement,* 1963). The scope for stimulating movement of jobs is far greater than previous schemes have achieved. With automatic incentives, topped up by discretionary grants, with tighter IDC control reinforced by identifiable penalty taxes, the rate of movement to development areas could exceed that achieved by Labour before and at similar costs.

growth-points

Coupling semi-automatic incentives over broad development areas with additional "contracted" grants would allow regional authorities to balance up the needs of regions as a whole with particular plans for "growth-points" within those regions. There is a temptation for government to abandon broad development areas entirely and concentrate on growth-points alone. The Tories did this in 1960 with the switch to smaller Development Districts. The French have tried it since when "the immense cost of regional development resulted in an increasingly deliberate concentration on a smaller number of areas" (*Economic planning policies in Britain, France and Germany,* PEP, 1970). After this change of policy "France witnessed an unprecedented outburst of regional sentiment" (N. Despicht, *op cit*) which indirectly contributed to de Gaulle's defeat in the 1969 referendum on regional reform.

Despite this cautionary tale, the Conservatives may well move towards a growth-point strategy. In 1968 they stated their preference "to concentrate aid on individual areas, helping them to become growth centres from which jobs and prosperity will be generated outwards" (Sir Keith Joseph, *Sheffield Star,* 21 June 1968). In office they have reaffirmed that they are "drawn to the growth point philosophy. In the context of Scotland this might mean the concentration of government assistance on the development of one major industrial complex" (N. Lawson, "Tackling regional problems with a national policy," *The Times,* 20 October 1971).

On available evidence such an approach does not work. As the Italian experience shows capital-intensive industrial complexes do not necessarily generate "jobs and prosperity outwards" (S. K. Holland, "Regional under-development in a developed economy: the Italian case," *Regional studies,* vol 5, 1971). Almost all the increase in "value-added" by manufacturing industries in the Mezzogiorno over recent years is directly attributable to internal operations at Taranto steelworks and the ENI refineries at Syracuse and Jailo (*Development prospects for Southern Italy,* EIU, 1970). There is no sign of "spin-off" expansion in the area. Should the Conservatives switch to this approach the evidence shows they may well fail dismally to stimulate real growth.

Regional authorities may nonetheless be right to pick certain growth points to site inter-linking projects and population growth, provided this is carried out alongside a general introduction of employment into the development area as a whole. A system of investment grants supplemented by Regional Development Funds would enable this balance to be struck. Resources could be gradually shifted from automatic aids into discretionary supplements, by lowering investment and building grant rates and extended regional funds, as experience showed it desirable.

The Development Areas need to attract new industry not just from elsewhere in Britain but also from overseas. Between 1945 and 1965, for every four job opportunities transferred by domestic UK companies from one region to another, one new job was brought into Britain from abroad. Predominantly these new jobs were created by firms under North American management. This trend, together with American acquisitions of British companies, gave US industry by 1966 control of 10.5 per cent of British manufacturing output. By 1981 this proportion may have grown to 20-25 per cent (J. H. Dunning, *Role of American investment in the British economy,* PEP, 1969). The accelerated entry of European firms into Britain in future years may offer some competition to the North Americans but could well, on balance, push the percentage of UK industry under foreign control above even that forecast. Whatever the wider implications of this tendency (*Fortune Magazine,* 15 August 1969) it has significance for regional policy. Central and regional government must co-operate to ensure an adequate dispersal of new foreign firms entering Britain and to impress on foreign "parents" of established firms the need for their subsidiaries to participate in movement to the development areas.

Whilst 10 per cent of jobs transferring to Wales between 1945 and 1965 came via foreign owned firms and 6 per cent of those going to the Northern Region, for Scotland this proportion was a staggering 49 per cent (*Movement of manufacturing industry in the United Kingdom 1945-65*). This resulted largely from Scotland's own efforts in promoting its attractions abroad. Valuable as such new jobs are, excessive dependence by one region on foreign sources of new employment contains dangers. Scotland has been dealt a double blow since 1970 by a coincidence of business stagnation in Britain with similar problems in the States. "Unfortunately for the golden future, a combination of recession in North America, decline in the demand for mechanical business machines and over-optimism in electronics has shown the new industries to be as vulnerable as the old" (S. Abrines, *op cit*). This tendency needs "policing" to safeguard particular regions from excessive reliance on foreign investment.

public enterprise

More positively the next Labour government should exploit the direct potential for creating new employment through public enterprise in the development areas. The nationalised industries, steel and certain ancillary activities aside, have been ineligible in the past for the incentives offered private industry. Labour recognised this anomaly before the 1970 Election (*Labour's economic strategy,* Labour Party, 1969) and must tackle it when back in office. Although some activities of statutory undertakings are tied by definition to local markets, electricity sub-stations and railway marshalling yards being cases in point, most major projects do present some element of locational choice. For these, directional incentives are as valid as for an oil refinery or steelworks.

At the 1971 Party Conference, it was suggested Labour should encourage the creation of new industries under workers' control in the development areas. The Party has also contemplated establishing a National Holding Company to acquire public shareholdings in existing enterprises. This scheme may have particular value if focussed on areas where the maintenance of established employment is vital and on the specific problem of one-company towns. Labour, when in office, also exploited openings for joint public private ventures in the assisted areas, the British Leyland-National Bus plant at Workington being the most outstanding example. This sort of development should be pursued again.

Another avenue of public ownership is open but remains curiously neglected. Local authorities in Britain, do already run, in addition to statutory services, a miscellany of trading enterprises. In addition to the fairly widespread municipal markets, building consortia, airports and restaurants, peculiar local cases exist. Bradford runs a municipal Textile Conditioning House, Sheffield a printing works, Hull its famous telephone system, Birmingham a bank and York a washing-up liquid factory. Most such ventures derive from Private Acts of Parliament, without which they would be ultra vires, dating from the last century. Since then, with the growth of nationalised industry, the alternative of public ownership by municipalisation has been largely ignored. Nevertheless these special local authority trading ventures currently yield a total revenue of some £300 million a year (*Local government handbook*, Labour Party, 1969). Labour should consider means of freeing local authorities, particularly in areas of high unemployment, to embark on more projects of this type.

As well as, via a more effective incentive and control system, attracting more domestic and foreign private industry to the development areas, all means of stimulating direct public enterprise in these regions must be pursued.

6. preserving communities

Since the early years of this century workers have been leaving the development areas to seek work in the prosperous Midlands and South East. But in any one year those migrating from the development areas only marginally outnumber those moving into these regions from elsewhere. The net loss per annum is thus fairly small—it is the repetition of a net outward migration year after year that stamps these communities with an atmosphere of decline. Reversing this trend will be a difficult, but not completely insuperable task.

When firms expand to create new employment, the incentives and controls which operate are rightly intended to steer them to those locations where unemployed labour is available for recruitment. Regional policy aims however not just to direct industrial expansion to these areas, but also to encourage firms to transfer *existing* activities out of the congested regions. Employers undertaking such transfers naturally want to take along with them as many of their present workers who are willing to go, and have received some assistance from government with the expense involved. The next Labour government should increase the personal incentives available to individual workers who accompany their firms to new locations in the DAS. In particular such a scheme may well appeal to Scots, Welshmen and Northerners who have themselves previously migrated south. The majority of those currently migrating into these regions are former residents returning home after a period of years in the Midlands and South East. Given generous incentives and guaranteed employment, many more may be willing to take back their new skills to provide a nucleus for new industry in their native regions. Government should use its power as a major customer to encourage more private firms to move out of the congested areas. At present some 4 per cent of goods and services produced by private industry is purchased each year by central government. Labour should consider the feasibility of a stronger preference system in government buying for goods emanating in DAS. This concern with attracting back those of their populations who have previously migrated from them should not however overshadow the needs of the majority who have chosen to remain in their home areas.

Half the families in Britain have occupied their present home for at least 10 years, and 80 per cent of moves are to new addresses less than 10 miles away. Work motivates only 17 per cent of moves (" Labour mobility in Britain," *Government social survey,* 1966). Most British workers do not want to leave their home towns nor to commute very great distances to work. The majority of workers live in the local authority area which contains their workplace (*Sample census, 1966*). Even in outer London 50 per cent of male workers work in their borough of residence (*ibid*). Less than a fifth of employees resident in the Outer Metropolitan Planning Sub-Division, which encircles the GLC area, commute into Greater London (F. Stilwell, *The South East—a study of the sub-divisions,* 1969).

Since the war the immobility of the British worker has been consistently criticised and various efforts made to overcome this reluctance to move home or commute to new jobs. This policy is of dubious merit, given the rising social costs of population congestion in the affluent regions. It quite clearly conflicts with most people's desires and habits. A balance must be struck between planning for mobility and for the preservation of established, and cherished communities. The large city or the new town does not offer an attractive life style for many millions of people preferring the atmosphere of their native town. As was written of Jarrow, " if Britain leaves these old areas to rot, with a convenient feeling that they are derelict anyway, a fine tradition will have been lost from our national life " (Ellen Wilkinson, *op cit*).

lesson of the mining towns

Many small or medium sized towns in the DAS are threatened by industrial decline. New industry on the doorstep if desired is seldom possible. Nevertheless much can be done as the contraction of coalmining in many towns since the mid-fifties has shown. The extra journeys to work to nearby towns may have weakened the previously intimate community ties (*Ryhope—a pit closes,* Department of Employment, 1970); these towns may have ceased to be " for a miner very nearly the all inclusive home of his being " (N. Dennis, F. Henriques, C. Slaughter, *Coal is our life,* 1969), but most were preserved as centres of residence and, albeit on a reduced scale, of employment.

Locations for major industrial concentration must be planned so as to preserve the maximum number of established communities as at least dormitory areas for the new development. Industrial location policy in South Wales demonstrates the possibility of satisfying, to a considerable extent, both the exponents of the " work to the workers " approach and the believers in growth centre policies. Given the geography of the valleys the natural growth area is where the valleys open on to the coastal plain with its large open sites, not honeycombed with disused mine workings, with fast rail links to other parts of Britain and rapidly improving road communications. At the same time some attention has been paid to the " heads of the valleys " where a fast modern road provides good access to the Midlands and links up comparatively flat moorland areas.

The danger that the " mouths of the valleys " growth plan could accelerate the existing drift of population from the valleys has largely been averted by the pragmatic approach adopted by the Distribution of Industry Division of the old Board of Trade, working in close co-operation with local authorities and other organisations concerned in industrial development.

The appropriate civil servants have resisted the blandishments of every local authority to promote every potential industrial site whether or not it be on top of a smouldering spoil tip half way up a mountain, but their deep awareness of human and community needs has resulted in an open minded policy towards the development of selected sites in the valleys themselves which, with reasonable expenditure on access and landscaping, could be attractive to industrialists.

On a quick tour of these valleys even a casual observer can see that, within the overall " mouths of the valleys " plan, there is scope for many medium and small industrial projects in the valleys. These projects are economically viable whilst contributing to the preservation of the valley towns. As long as these communities continue to provide employment for a reasonable proportion of their inhabitants, many of the people who work in the new growth zones will continue to live in the traditional areas. If there were, in contrast, no employment opportunities in a particular town, or in an immediately adjacent community, the accelerated run down of social capital and amenities would soon kill off the community's appeal even as a dormitory zone turning it into a depressed area populated predominantly by the old, the disabled and other economically disadvantaged individuals.

These small towns live with the fear that their youngsters will continue to desert them for nearby growth towns. Some such movement is inevitable, but, here again, local authorities could well be given freedom to provide entertainment and leisure centres on a commercial basis, where private enterprise has failed to create adequate facilities for the younger citizens of a town.

7. the role of service industry

Regional policy has concentrated on movement of manufacturing industry, although this sector of the economy now only employs 38 per cent of the national workforce against 58 per cent in service activities. Between 1951 and 1961 service employment grew by 900,000, that in manufacturing only by 354,000 (*Department of Employment gazettes*). This swing to service activities has been even more marked in the sixties. Employment in manufacturing has fallen by 159,000 since 1960, whilst numbers in the services sector have grown by 1.1 million.

Certain types of manufacturing process notably metal goods, paper and printing and engineering, continue to expand as employers of labour. European experience suggests however that no manufacturing sector can really be relied on in the long-run as a growing source of employment. Within the processes where total employment is falling, such as chemicals, metal manufacture, textiles and vehicle building, there are successful firms whose manpower requirements continue to grow. In this context efforts to encourage manufacturing transfers to the assisted areas are valid. Nonetheless the services sector offers the best prospects of creating new jobs.

Within the services sector there are activities of declining importance as employers. In construction, transport and communication, gas, electricity and water supply, distribution and miscellaneous services employment has fallen marginally in the last decade. The growth of service manpower is concentrated in insurance, banking and business services, professional and scientific activities, public administration and defence which now employ some 1.3 million more people than in 1960.

The last Labour government took some steps to steer growth in these sectors to the assisted areas. Yet, despite the introduction of office development permits, the South East cornered 56 per cent of all additions to office floor space in England and Wales under Labour, whilst the North and Wales, with 12 per cent of the population, only attracted 6 per cent of this growth (*Statistics for Town and Country Planning Series* II, 1969). The government tried to set an example by re-locating public agencies out of the South East, but 90 per cent of all private office jobs moved from central London went to other South East towns (P. W. Daniels, *Office decentralisation from London*, Regional Studies 3, 1968).

The next Labour government must renew these efforts. Inevitably a fair proportion of jobs in the service sector are tied to immediate local markets—you cannot locate all lawyers in Scotland, all shopkeepers in Wales—but many of these jobs could be carried out, equally efficiently, outside the more congested regions. Even those outlets which do serve local markets are often part of a national company chain that tends to concentrate new investment on prestige projects in the more affluent regions. Again, within the manufacturing sector as such, many staff functions in service departments are housed by habit in a firm's London or West Midlands Head Office, but could be adequately re-sited into the assisted areas.

Encouragement of services growth in the development areas would be prohibitively expensive if it rested on extending " automatic " incentives beyond manufacturing firms. Discretionary grants could possibly be given however for such ventures. The imposition of a congestion tax on such activities in non-assisted towns might well stimulate more transfers.

new approach

This trend could be further promoted by embracing service industries in plans designed to " reconvert " the employment base of areas where major contraction of manufacturing is under way. In the past the prime emphasis has been placed on injecting new " secondary " (manufacturing) activity—in the mistaken belief that a consequential growth of " tertiary " (services) ventures would follow automatically. It has been pointed out that much modern employment growth arises in what could be termed the " quarternary" sector of education, research and communication based activities. These services, often within larger industries and government departments, are not effectively controlled by IDCs and ODPs and have agglomerated in the Home Counties. Other parts of central and southern England have atracted only smatterings of this new growth sector, and the assisted areas hardly anything at all (J. Hall, "Industry grows where the grass is greener," *New Society*, 4 February 1971). In terms of regional policy it would be difficult to justify the decision to centre the administration of the Open University (an education and communication based venture *par excellence*) within 60 miles of Charing Cross.

Built into reconversion plans within the development areas, these activities could form a nucleus for new types of technology based employment complexes as in the States and the Soviet Union. In the long run such centres promise more job opportunities than many manufacturing processes, and in the short run would inject an element of high wage and prestige employment into less developed regions.

A particularly valuable study of the reconversion of Lorraine (J. Quesnal, *Les nouveaux imperatifs de la politique de l'emploi—region de Lorraine*, July 1969) has criticised the still widespread attitude in France, and indeed here, which regards the services sector as a parasitic activity and concentrates official incentives on redeveloping labour-intensive manufacturing industries. Such a policy contains the seeds of future problems for assisted regions, for whom new capital intensive "tertiary" and "quarternary" activities may prove, in the long term, as valuable as new labour intensive industrial projects, the basic technology behind which is often semi-obsolete before the plant commences production.

Regional policy must rightly give priority to injecting manufacturing employment into areas where it can provide new jobs for workers redundant from declining industries. But it must not neglect the opportunity, afforded by modern services growth, to create a more diversified and advanced economy in regions accustomed to lag behind, not run ahead of national developments in technology.

8. the regions and the European communities

This pamphlet is not the place to re-argue the pros and cons of UK entry into the European Communities. Unless a General Election ensues in the immediate future, the next Labour government may well come to power with British membership an established, partially re-negotiable, but basically irreversible fact of political life. Participation in the EEC and the Coal and Steel Community might both pose problems for the pursuit of a socialist regional policy in Britain and present some new opportunities for concerted European action on regional development. Even outside of the Market, this country will find that the presence of an increasingly integrated, large and faster growth industrial network so close to our shores will exert considerable pressure on industrial location, and hence on regional policy. During the internal debate within the Labour movement on Common Market entry the issue of regional policy has loomed large. To what extent will a future Labour government be free to pursue its own strategies towards the assisted areas? Harold Wilson has declared that " in 1967 I was somewhat reassured about our ability within the Market to pursue regional policies we considered necessary. We no longer have that assurance " (Harold Wilson, *Hansard,* 28 October 1971). The pro-marketeers reply that " all the principle instruments of regional policy in Britain are to be found in one country or more of the Six " (A. E. P. Duffy, *Hansard,* 27 October 1971).

Tory complacency

In contrast to the thorough attention paid by both Marketeers and anti-Marketeers in the Labour Party to the regions in Europe, the Conservatives displayed an almost total complacency on the issue. Even *The Times* was moved in a leading article to criticise the scant attention given to the regional problem in the Brussels negotiations (28 June 1971). Only three brief paragraphs were devoted to the issue in the White Paper setting out the agreed membership terms. The Tory case rests on the belief that " measures to stimulate regional development work best within a wider framework of expanding trade and industry " (*The United Kingdom and the European Communities,* white paper, July 1971) and, *ipso facto,* " no parts of this country stand to gain more from joining the European Community than our less prosperous regions " (G. Gardiner, *A Europe for the regions,* 1971). The vexed question of regional strategy under the Treaty of Rome was thus subsumed under the wider issue of Britain's growth prospects in Europe. The regional problem is not that simple. Of course unemployment tends to fall in the assisted areas when it is falling nationally, but the problem regions remain relatively worse off through both recession and boom. This comparative deprivation is the essence of their dilemma. Taking the Northern Region alone, as an example, in those three periods since 1951 when *national* unemployment was at its lowest—the " boom " years of 1955, 1960-61 and 1965-66—*regional* unemployment stood at 1.6 times, 1.7 times and 1.9 times the national *average* respectively. In the three " recession " periods of peak *national* unemployment—1958, 1963 and 1971—*regional* unemployment was 1.1 times, 2.0 times and 1.7 times the *national* level (*Department of Employment gazettes*). Indeed if the right policies are not pursued the development areas can be worst off in boom conditions when their younger, more skilled workers migrate to those towns in the Midlands and South where the boom makes itself most felt.

The impact of EEC entry on the British regions thus deserves a more searching and dispassionate analysis than the Conservatives have given it. Will the golden Paris-Amsterdam-Ruhr triangle act as a magnet drawing jobs away from the development areas or out of Britain altogether? Will a British government be free to initiate the necessary policies to counter these trends?

the pull of "Europe"

There is undoubtedly some risk that British industrialists will be tempted in the EEC to concentrate new developments on the Continent itself. " Manufacturers of consumer goods whose retail prices are seriously affected by transport costs will have a larger incentive to move to the Continent and a lesser incentive to move North and West " (Mark Arnold-Foster, *The Guardian,* 25 October 1971). The real question is thus the proportion of industry for whom such delivery costs are really critical and the effectiveness of government controls and incentives in counter-balancing such transport cost advantages. For many, probably most firms, delivery costs are a far smaller determinant of final price than are other variable charges—including their wage bills, and over time labour costs are rising as a portion of variable production costs whilst transport charges are proportionately declining in significance.

The development areas will continue to retain two distinct advantages for industrialists to set against the comparative transport advantages of location nearer to their customers. Not only is labour more readily available in areas of under employment, it also tends to be cheaper. Taking April 1969, the average hourly earnings of full time male workers were 50p in Scotland 52p in Wales and 50p in the Northern Region (*New earnings survey, 1970*). In only two districts within 200 miles of the Ruhr were prevailing wage rates lower—Southern Holland, 49p, and North East France, 36p. In most of the " golden triangle " wage costs are substantially higher than in our development areas, for example in Hamburg they stood, at the same date, at 71p, at 66p in Nordrhein-Westfalen, 65p in Bremen and Luxembourg (*Preliminary guidelines for a community social policy,* EEC, 1971). The notion of Britain as a high wage country is something of a myth. Our international competitiveness is not bedeviled by the high earnings of individual workers but by our generally higher costs per unit of production. European managements have been historically far more efficient at investing in high-productivity plant. The availability and price of manpower in our development areas make them very attractive locations for both British, European and North American industrialists capable of investing wisely and of striking mutually beneficial " high wage high productivity " deals with our unions.

Various other, more intangible factors will also work against any dramatic exodus of jobs to the continent " such as fears of language problems and communications with plants or Headquarters in Britain " (M. Crawford, *Sunday Times,* 17 October 1971).

Whilst there is a danger of employment opportunities shifting to the continent, this risk can thus be over dramatised. The threat arises mainly through firms already with manufacturing units in Europe, companies in alliance with European based partners, or foreign controlled multinationals opting to locate their future expansion on the continent. This danger might be intensified by a removal of tariff barriers between ourselves and the Six but would exist in any event.

the pull of the South?

The other danger entry poses is that of firms seeking permission to expand in those areas of Britain closest to the continent. " The very fact of joining the Common Market will exert an inexorable pull away from our existing centres of industry in Britain to the areas close to the Channel and the ports serving the southern part of the North Sea " (Harold Wilson, *Hansard,* 26 July 1971). The CBI has already begun a subtle lobby against the rigour of current IDC controls in the South and Midlands (*Sunday Times,* 17 October 1971).

Although real, this danger can also be exaggerated. The declining significance of delivery charges for many companies has been commented on earlier, but even to those firms for which total transport budgets are problematic, delivery of products to a tariff-free Europe will in many cases be overshadowed by costs of delivery to their domestic markets, shipments to export markets outside Europe and procuring bulk supplies of raw materials from more remote countries of origin.

For any of these transport charges the

south of Britain may have little or no cost advantage to offer.

As the previous analysis in this pamphlet shows past British governments have permitted some industrial growth in the south for quite legitimate reasons. Industry may use the excuse of European entry to pressure for a slackening of IDC controls, but governments have withstood such demands before.

The dangers, inside the Common Market, of industry drifting to the continent or to the South of Britain are real but not as large as is sometimes claimed. In part these risks can be contained if the British government is free to develop " much stronger powers to assist regional development . . . even than we have had in the past " (Harold Wilson, *Hansard,* 26 July 1971). In part overcoming them depends on effective international co-operation inside or outside the framework of the Community institutions. Our ability to meet the somewhat intensified pressures on the development areas that EEC membership will bring thus hinges on the degree of freedom a Labour government would have under the Treaty of Rome, on the degree of international co-operation over regional policy it can expect and on the form an eventual Community wide regional strategy, influenced by Britain as an EEC member, may take.

national freedom?

At present there is no uniform Community regional policy and the policies pursued by individual member governments vary considerably (*Note sur la politique regionale dans la communauté,* EEC, 1969). The European Commission does have power to police these policies and challenge them if they contain " aids which distort competition " (*Treaty of Rome*, articles 92, 93), but this power is more limited than it appears at first sight. Aids which have " a social character " without discrimination related to the origin of the products concerned are permissible. On this score the type of assistance the last Labour government gave to slow down the contraction of coalmining would, in all probability, be acceptable. More importantly aids which promote the economic development of depressed areas and any aid which discriminates in favour of particular discernible regions are permitted provided they do not discriminate between products and do not affect comparative competitiveness " to an extent contrary to the common interest." Although several national aids have been questioned, to date only two cases have arisen where the Commission has formally challenged an aid under these provisions and in both cases the issue at stake was that these subsidies did not appear sufficiently restricted to particular regions of the countries concerned —their " regional specificness " was in doubt (*The Guardian,* 20 July 1971).

The only policy practised by the last Labour government which might be in doubt under these rules is that of the Regional Employment Premium (R. Norton-Taylor, *European Community,* October 1971). For completely other reasons this pamphlet has suggested earlier that the SET-REP mechanism, whilst valuable as a short run policy in the 1960s, may not be ideal and that a better alternative would be available to the next Labour government—a " congestion tax." There is no prima facie reason to believe such a tax would be unacceptable under EEC rules.

For the first decade of its existence the EEC regarded regional policy merely as a justifiable exception to broader aims of Community wide competition but in 1969 the Common Market decided in principle to work towards a more concerted control of aids in the " central zone " of the Community (*Proposition relative à l'organisation de moyens d'action en matiere de developpement regional,* com (69) 950, EEC, 1969). This intention was restated early in 1971 when the Council of Ministers agreed to examine methods to end " competitive outbidding " between regions in the central area (*Report on proceedings of Council of Ministers, 8-9 February 1971,* EEC). Towards the end of 1971 the Commission tabled recommendations which contained two basic propositions. Firstly regional incentives in the yet undefined " central zone " should be limited to 20 per cent of the capital cost of any particular industrial project. Secondly the Community should try to ensure that this ceiling was not exceeded by indirect (" opaque ") supplements to the direct (" transparent ") incentives officially available (*General systems of aids for regional purposes,* Commission communication to the Council of Ministers, 1971).

Although the Council has accepted the principle of a 20 per cent aid ceiling in the central zone, the Commission has been unable to make any headway in obtaining the approval of detailed procedures under these proposals (*Europe,* 12 January 1972). Were they to be adopted however they might pose problems for the tax allowances now given by the Tories in the Intermediate Areas of the Midlands, Yorkshire, Lancashire and Monmouthshire. These areas could well be deemed to be in the central zone (R. Norton-Taylor, *op cit*). If Labour were to return to the investment grant system and were those grants to be provided in accordance with the suggestions made in this pamphlet, the 20 per cent ceiling now being considered within the community would not be transgressed.

Whilst nothing suggested in this pamphlet is thus likely to prove incompatible with Community rules, the scope of governmental action on regional policy is in theory constrained in some respects by current regulations and might be more so by future changes in policy along the lines recently examined in Brussels.

British regional policy has rested on the twin techniques of industrial incentives and physical IDC control. Whilst membership of the European Communities is unlikely to restrict these policies greatly the larger cause of anxiety lies in the possible unwillingness of our continental neighbours to co-operate in an international system of physical controls. Anti-Marketeers have argued that although the IDC system would not in Europe " be in strict law illegal, in practice its efficacy would be considerably devalued " by the absence of similar controls in Europe (Denzil Davies, *The Common Market and Wales*, Welsh Council of Labour) but they have overlooked the fact that in Italy the very substantial sector of industry under the control of the state, has to undertake all investment in new plant and 60 per cent of its total investment, in the south of Italy, and in France all public enterprise investments are scrutinised through the Commissariat du Plan and the Ministry of Finance with the result that a considerable part of the investment is " directed " to problem areas, and in the Paris area very severe restrictions, and a special concentration tax, are imposed on all industrial and commercial buildings.

international co-operation?

It has been alleged that " the problems of the peripheral areas of the Community have been exacerbated by the reluctance of member governments to interfere too much with the location of industry and run the risk of diminishing the country's industrial competitiveness " (K. Allen and M. C. McLennan, *Regional problems in Italy and France,* 1970). Were this uniformly so, it augurs badly for any concerted scheme of physical control.

Although Italy certainly has suffered from a governmental reluctance to prevent private industries expanding in the North (S. K. Holland, *op cit*) the record of other countries tells a different tale. In Germany for instance " over the last decade or so the more backward regions have been growing faster than the more advanced ones . . . the main problem at present is one of overcrowding " (*Economic planning and policies in Britain, France and Germany,* PEP, 1968).

Certainly at international level the member governments have shown themselves critically aware of the risk of " concentration along both sides of the Rhine . . . a new intensively industrialised Lotharingia, which would enjoy a vast consumer market, greater scope for specialisation and lower transport costs " (*Regional planning—a European problem,* Council of Europe, 1968). Time alone will show whether they are willing to translate this concern, inside or outside the framework of EEC, into international controls on industrial location.

At a less dramatic level, international co-operation through the EEC and ECSC has led to a number of common institutions serving regional policy interests. The Community aims to promote "a harmonious development of economic activities, a continuous balanced expansion, an increase in stability and an accelerated standard of living" (*Treaty of Rome*, article 2).

This provision has now led to the formulation of a draft "Social Policy" setting out guidelines for common targets in such areas as vocational training, incomes standards and environment improvements all of which indirectly impinge on issues of regional development (*Preliminary guidelines for a community social policy*, EEC, 1971). A number of EEC/ECSC institutions exist to provide aids —to workers and to businesses—which are partly regional in impact. The revised Social Fund (*Treaty of Rome*, articles 123 and 128) will provide for more effective assistance in the future than it has in the past, towards retraining workers, subsidising movement of workers to new areas ("resettlement") and aiding workers who become redundant in certain industries and regions. The Agricultural Guidance and Guarantee Fund provides aids towards the re-employment of agricultural workers and their dependents and the Commission's proposal to allocate part of this Fund to regional development is a significant step. Under the Treaty of Paris similar aids are given to redundant miners and steelworkers and to firms expanding in coal and steel areas to provide new opportunities for employment (*Treaty of Paris*, article 56). The European Investment Bank (*Treaty of Rome*, articles 129 and 130) aids industries establishing themselves in problem areas and 76 per cent of its outlay goes on projects which are specifically regional in character (*European Community*, October 1971).

The Paris summit meeting agreed that by January 1974 a community regional development fund should be established to provide supplementary aids to those available from national governments.

The help Britain might obtain under these schemes should not be overstated. It would be fairly marginal against the scale of our national budget for regional development. However many of these aids are primarily directed at aiding individual *workers* implicated in industrial change, whereas most of our domestic incentives are directed at the creation of new employment, and as a supplement to our own social security payments to redundant workers would be a valuable addition to our resources for aiding workers in depressed areas.

The operation of the aid available for individuals under Article 56 of the Treaty of Paris in any member country depends upon a Convention directly negotiated with the member government who in turn must be prepared to meet half the cost, but a typical scheme for say redundant steelworkers might include:

1. Supplement to unemployment benefit.

2. Make-up of earnings for a period of years for workers entering lower-paid posts after redundancy.

3. Removal and resettlement grants.

4. Additional income during retraining.

5. Aid towards travel-to-work expenses if these are greater in a new job.

6. Extra aids during early retirement.

At this level a future Labour government operating within the European Communities would need to develop a positive policy to ensure that Britain derived the maximum benefit out of these available schemes. Since these schemes would all be in part funded out of Britain's annual EEC levy, in part out of the annual ECSC levies paid by the coal and steel industries of this country and in part from the proceeds of external tariffs such a policy represents nothing more than trying to get back from Europe as much as we could of what we paid in.

a new approach?

Britain would have a great deal to teach its European neighbours about regional policy—not least in the field of IDC control over location—but it would also have much to learn from them, at intergovernmental and community level. To take one example, the French have certainly carried the task of regional planning to a more sophisticated level than we have. Their Plan " does not apply solely to critical or insufficiently developed areas, it covers the whole of the country and represents one of the means of assuring a balanced expansion of the national economy " (*Journal officiel*, 7 August 1962, Paris). Not only might the French system suggest ways in which the relative needs of SDA, DAS, IAS and " pockets of poverty " in the other areas could be blended into a coherent policy, as advocated in this pamphlet, it would also enable the country to evaluate the positive contribution regional investment makes to national growth and thus appreciate regional policies as a stimulus to, and not merely as a brake on, industrial expansion.

Equally, the Community as such has shown a fresh approach to the problems of potential " disaster areas " from which Britain might positively benefit. The case of the " reconversion " of the Dutch coalfield in Limburg is a good case in point. It illustrates in particular the value of stimulating concerted efforts by industry, trades unions, government ministries, regional and local authorities and the EEC itself to aid problem areas (*Notes on the reconversion of the Dutch Province of Limburg*, EEC document 10 804/XVI/69-F, EEC 1969).

The Dutch coal industry in Limburg was developed from about 1890 onwards and by the mid 1950s was employing about 55,000 out of the 170,000 male working population and in the eastern part of Limburg 80 per cent of all employed males worked in the coal mining industry. The structure of the industry was that of five companies operating in the region (the only one in Holland in which coal is produced) ; the Dutch State Mines has its equity held by the State and in 1965 employed 26,000 out of the total labour force of 44,000 and the other four are largely foreign owned—mainly by Belgians and French. The private companies mainly produce semi-anthracite coals ; the DSM produce predominantly gas coal and has developed a chemical industry based originally on coke oven gas. Up to 1957 there had been a shortage of coal, and coal had been imported. In 1958 this situation was changed by increasing supplies of fuel oil and by increased competition from other national coal producing industries, and the Netherlands authorities started to cut back production. The discovery in the early 1960s of vast reserves of natural gas in North Holland, and the decision by Hoogovens iron and steel company to produce their entire coke requirements indicated that the prospects for Dutch coal would further diminish. Hence in 1965 the Dutch Government took a firm decision that the mining industry should be closed down by 1975. With this announcement the principle was established of " no closures without suitable alternative employment." In order to attract new industry into South Limburg a number of facilities have been co-ordinated, namely:

1. Government: investment premium or development subsidies are given to new industry provided certain requirements of manpower recruitment or factory siting are met.

2. ECSC: retraining costs of ex-miners, low interest credits, and supplementary allowances to miners whose wages are reduced can be paid from the ECSC.

3. Regional Authorities: financing systems make land and buildings available on a hire purchase basis. (In conjunction with Government assistance, this means that an incoming company can limit its investments to those for machinery and working capital.)

4. Dutch State Mines: a special staff ser-

vice is provided to stimulate industrialisation and assist incoming concerns, dealing especially with the recruitment of personnel from the mines ; the planning of retraining, and the construction of buildings on a non-profit basis. (Dutch State Mines is also expanding its own chemical interests in the area and it now employs more in chemicals than mining.)

From 1965-1970 there was a planned reduction of 30,000. This has been achieved by retiring 10,600 (4,800 prematurely), repatriating 1,800 foreigners, and releasing 16,000 for new employment. It is anticipated that by 1975 the last mine will have been closed and this whole exercise will have been achieved without breaking the initial pledge that new employment would be found for all ex-employees apart from those retired or repatriated. Perhaps even more significant all but a handful of the new jobs have been developed in the traditional mining areas and very few individuals have had to leave their own communities in order to obtain employment. Clearly there are many reasons for the success of the Limburg reconversion such as the existence of a fairly tight labour market, the geographical location of Limburg, the strong sense of community and the self-sufficiency of the people, and the powerful influence of responsible trade unions. All these factors contributed to the reconversion but Limburg stands out as a superb example of employers (state and private) who fully accepted their long term social responsibilities to their employees and the community, and methods by which a variety of different organisations at supra-national, national and local level can co-operate in a flexible way to tackle particular problems. There was no one technique but problems were identified and suitable institutions developed to overcome the difficulties.

the future of regional policy in the EEC

During the past decade there has been a gradual, if faltering, development towards the concept of a " European " regional policy. The issue has been debated at considerable length by the Commission, the European Parliament, and the Council of Ministers. At last there are signs that positive actions will soon be taken to give the Commission greater initiative and resources to tackle the immense problems. Although progress on the proposals submitted by the Commission to the Council of Ministers in October 1971 has been modest the agreement in principle by the Council in March 1972 to using money from the Guidance section of the Agricultural Guidance and Guarantee Fund for creating jobs in priority agricultural areas, though virtually irrelevant to the UK's regional problems, was at least a further indication of a recognition of the importance of the regional problem. Also although the Council failed to agree on the form of a permanent Committee to study regional problems it asked the Commission to submit further proposals for a system of Community resources for regional development and this was done on 1 June. In these proposals the Commission not only reaffirmed its earlier proposals of October 1971 but added to them proposals for establishing a Guarantee Fund for regional development and the creation of a Society for Regional Development which would have power to participate directly in economically valid investment in the regions considered to deserve priority treatment (*Europe,* 2 June 1972). The October summit agreed to establish a community regional fund.

The main reasons for this activity are almost certainly the recognition that the development during the remainder of this decade of economic and monetary union makes it essential that there is an effective EEC wide regional policy unless the disparities between the various regions are to increase. Unless there is real progress towards the development of a Community regional policy it is doubtful if the UK could support progress towards an economic and monetary union which almost by definition must remove from all member countries the right to employ unilaterally the traditional instruments for dealing with economic problems. Also the likely accession of 4 countries to the EEC aggravates the existing regional situation to the extent that in the four applicant countries 60 per cent of their territory, which involves about 35 per cent of their population, is eligible for regional aid whereas in the Six about 45 per cent of the area is eligible for some sort of special aid and this involves approximately 30 per cent of the population.

It has taken 40 years for the United Kingdom to reach its present stage in the development of its regional policy and it has taken the EEC over a decade to reach its present degree of acceptance of the urgency of the problem. The Ten will not be able to afford to take more than another ten years before having developed a system which will actively help to reduce regional imbalances. Delay will be bound to lead to disruption and very considerable social unrest.

The first stage in such a programme must now take place during the period when the Community is adapting itself to its new dimensions and will to a certain extent take the form of the development of present initiatives but it will also have to start planning for the situation and the opportunities which can be created at the time of the revision of the treaties. In particular discussions about the development of a European IRI which could invest directly to correct regional investment imbalances must be started.

The second and crucial stage will be during the period of the revision of the treaties which is likely to take place during the second half of the decade. It is at this time that there must be a final break with the largely negative attitude of the Treaty of Rome towards regional policy to it becoming an essential part of the economic and social policies of the Community with the objective of correcting the type of regional inequalities in the Ten which have developed during the past half century. Certain aspects of the policy, such as Community powers to co-ordinate public expenditure by member states on projects affecting community regional policy, an enforceable Community policy on town and country planning and environment and conservation will require the extension of existing Community powers. Such an increase in central power makes it essential that at the same time there is a significant development towards seeing that the European Parliament becomes more effective and that there is a development towards a far greater degree of regional autonomy.

No UK government has yet succeeded in resolving our regional problems and it is possible that they can no longer be tackled on a national basis. If we remain outside the EEC this will not prevent the attraction of our industry to the Midlands and the South East in order to be near the Golden Triangle. The accession of countries like UK, Ireland and Denmark will reinforce the necessity of gradually redistributing the industrial and commercial activity of the Community. Such a development could well prove to be of great benefit to the assisted areas in this country. However, this will only come about if there is an effective Community regional policy and since this policy is in its early stages this country will be able to have a major influence on its development.

Europe: dangers and opportunities

The problems that European entry would pose for Labour regional policy may thus have been over dramatised in the past, but they are nonetheless real. But equally membership of the Communities should bring some new opportunities for action and access to some new sources of regional aid. The wider arguments of whether the balance of our national interest lies in joining or staying out is not deployed here, but, on the assumption of entry the following tasks would immediately confront a Labour government:

1. To devise the best scheme of regional incentives it can within the constraints of community rules and policies.

2. To attempt to secure common agreement on the needs for physical controls on industrial development, and not just ceilings on incentives, in the central zone of the community.

3. To exploit to the full the various

schemes of regional aid available from the Community.

4. To utilise the experience of the EEC in planning for the " reconversion " of problem areas in Britain.

But more important, a Labour government would have to use all its expertise and experience in coping with regional problems to bring about the development of a Community regional policy which will result in correcting the regional imbalances which now bedevil our economic life. This will depend upon bringing home to Britain's EEC partners the advantages of pursuing on a European scale those aspects of regional planning procedures practised here over which they currently lag behind—physical IDC controls and public participation in planning being two cases in point—and equally upon our willingness to acknowledge the benefits of applying here in Britain those policies where individual member states and EEC collectively have a lead on us such as infrastructural planning and techniques for reconverting areas dependent on obsolete industries.

9. conclusion

As this pamphlet has illustrated, the ramifications of government regional policy touch far wider issues than those conventionally embraced in official dialogue about the regions. Policies for industrial location cannot be divorced from policies on the location of population. Government aids which are overtly regional in nature cannot be separated from other forms of social expenditure—on housing, education, industrial and agricultural subsidy—which discriminate between different parts of Britain in their practical effects. Taking an extreme example, Labour's commitment to free school milk aids most those areas where household poverty is greatest and, almost inadvertently, those rural areas with a heavy interest in milk production. Equally a central policy to aid the less prosperous regions cannot be divorced from policies designed to control growth in the more prosperous or to tackle the residual social problems in those affluent areas.

The South East has a different, but no less severe, regional problem than has the North or Scotland. Whether Britain joins the EEC or not the problems of our regions cannot in the final analysis be divorced from the problems of continental areas.

Inevitably within a system of diffuse aids no single Whitehall department can assume paramount control of regional policy. The responsibility must be divided between ministries, but equally it must be co-ordinated at some point. The Tory appointment of a Minister for Industrial Development and the creation of regional industrial directors within the DTI, whilst sensible steps towards greater efficiency in narrow industrial location policy, threaten to distort the total perspective of regional policy by over emphasising this single aspect of the problem. The establishment of regional industrial development boards poses a positive danger of divided authority between these DTI bodies and the inter departmental regional economic planning boards and councils established by Labour.

All these factors support the case for a new approach by the next Labour Government to the administration of regional policy:

1. As the CBI have suggested there should be an annual regional budget setting out in coherent form the total impact of the direct costs of tax allowances, industrial incentives and infrastructural programmes that are regional in intent.

2. Some agency in Whitehall should regularly assess the regional effects of these measures and of government programmes that are discriminatory between areas.

3. A minister should be appointed to co-ordinate regional policy as a whole, preferably located outside any of these departments likely to bring a functional bias to their view of regional problems. This minister should be served by a small review staff and report to a cabinet committee on regional policy.

4. Within the regions themselves the newly created regional industrial development boards should be abolished and the powers of Labour's regional councils and boards extended to make them the final arbiters for distributing selective regional aids. More radically we would favour the conversion of these councils into elected regional assemblies, an idea under consideration by the Commission on the Constitution. These assemblies would fulfil the current powers of the councils to prepare and maintain oversight of regional development strategies and act as a regional lobby and would distribute selective aids. Other duties presently fulfilled in Whitehall could be devolved to the assemblies, such as the Secretary of State for the Environment's present powers of ultimate authority, under the Town and Country Planning Acts, to issue or withhold planning consents and establish planning enquiry commissions.

5. The existing powers of the Regional Hospital Boards and those of the proposed separate regional bodies for water and sewerage management could also be merged into these assemblies.

6. Such regional bodies should probably be able to elect at least a full-time chair-

man and possibly other full-time functional "overlords." Valuable as has often been the work of the planning council chairmen Labour's beliefs must conflict with the notion that the chief "lobbyist" for each region should be nominated from Westminster and drawn from the ranks of those whose occupations or private wealth permit them to assume this onerous responsibility.

7. These assemblies would be serviced by the present regional planning boards of civil servants who have in any event under the Tories tended to assume wider powers delegated from the national level within their own ministry.

8. The TUC should strengthen its regional advisory committees and the Labour Party its regional councils so that the Labour movement's own institutions are equipped to cope with such a partial devolution of power.

Such a scheme of regional democracy might in a real sense represent a transfer of decision making on major areas of policy to a point nearer to the ordinary citizen. As Roy Jenkins has argued "the people on the spot may often know better, and should in any event be able to decide, within the resources available from outside, exactly where it is best to go for resurgence or new development" (*Socialist Commentary*, May 1972). This devolution of decision should not be restricted to questions of industrial location and population distribution. The region may be the ideal level at which the vexed conflict between economic growth and environmental planning can best be resolved.

This reformed regional administration would provide a more effective means of implementing the regional policies discussed in this paper and summarised below:

designation of areas

1. The fourfold division of the country into Special Development, Development, Intermediate and other areas should remain as the basis of eligibility for investment grants.

2. Within this broad classification certain travel-to-work areas should be designated as "areas in need of special assistance" to indicate they merit particular official consideration above that implied by their development status.

3. This device should be used to aid pockets of unemployment and underdevelopment in otherwise well developed regions such as the Midlands and East Anglia.

4. A broad set of criteria for scheduling such development areas and "areas in need of special assistance" should be set out publicly in a White Paper.

overall location policy

5. Strategies for population and employment location must be more effectively co-ordinated so that policies designed to improve living conditions in the "overcrowded" conurbations do not indirectly lead to excessive employment growth in those regions.

6. Any growth zones selected as focal points for regional development should be so sited as to facilitate the maintenance of established urban areas as dormitory zones. The attraction of industry to such growth points should not be pursued to the exclusion of all attempts to stimulate small industrial developments in such established centres.

7. Service activities should be reviewed to identify those which are locationally "footloose" and these should receive parity of treatment with manufacturing. Those service activities which are by their nature tied to local markets (like shops) should be ineligible for incentives.

controls and incentives

8. IDC controls in the more prosperous areas should be strengthened to limit creeping growth of employment in com-

pany head offices and in public and private research units.

9. Central government should "police" the distribution of foreign-owned plants in Britain to avoid any region becoming disproportionately reliant on multinational enterprises.

10. Investment and building grants should be restored to around the levels operative under the 1964-70 Labour government and the tax allowances introduced by the Conservatives abolished.

11. These "automatic grants" should be supplemented by greater selective aids administered at regional level out of new Regional Development Funds.

12. Such grants would not be available in the more prosperous regions, but Regional Development Funds in such areas would be used to help counteract the diseconomies of large city living through subsidies to commuter transport, land purchase for community purposes and so on.

13. These funds should be partly financed by a congestion tax on employers in non-development areas. In consequence Labour should not restore SET.

14. This congestion tax could be rebated in the "areas in need of special assistance" in such regions.

public enterprise

15. Those activities of statutory undertakings which are relatively "footloose" (like railway workshops and research centres) should be treated on a parity with private industry but those aspects of their activities the siting of which is predetermined by market location (like showrooms) should continue to be ineligible.

16. The Government should act directly and via a National Holding Company to extend public enterprises in development areas.

17. An act of Parliament should free local authorities to embark on municipal commercial ventures in development areas subject only to their ability to raise the requisite finance on the open market.

Europe

18. Should Britain join the European Communities it is imperative that Britain plays its part in the development of a community wide regional policy so that this is fully consistent with our national needs.

19. If a member of the Communities Britain should endeavour to obtain maximum benefit from the regional aids and services available under the Treaties.

Ultimately a regional policy must be judged on the degree to which it meets its objectives. In this context a Labour regional policy will be effective only if it helps to reduce the imbalance between different parts of Britain in terms of employment levels, economic growth and household income and those more intangible disparities of social service provision, environment and general opportunity to lead a complete life. There may have been a tendency in the past to conceive of regional policy as an essentially short-term aim of government—to move as quickly as possible to a situation where the 'aided areas' no longer required aid. As this pamphlet has attempted to show, regional policy has a broader role and purpose. If a Labour Government's aim is to secure a more equitable distribution of earning power, wealth, access to social and private services between individuals, then the physical allocation of resources between the communities where those individuals reside is as important a task as the re-distribution of wealth via taxation and social security. As such, regional policy is not a short-term expedient but a continuing and integral role of government. It is suggested that "regional planning is not a scientific discipline, it is an administrative technique" (*Regional planning—a European problem,* Council of Europe, 1968), but it can be improved upon both in terms of cost efficiency and as a means of pursuing Labour's wider social goals. The recommendations in this pamphlet might yield more cost effectiveness but they would also require a greater financial commitment to the regions even than that made under Labour before. Equally they require a willingness to extend public enterprise at national and municipal level as a direct state contribution to regional growth. Given this commitment regional policy can become a more effective weapon for realising those conditions of economic growth, community spirit and social equality basic to Labour's concept of a socialist Britain.

fabian society

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the authors

Trevor Fisk was previously assistant to the General Secretary of the National Union of Teachers and President of the National Union of Students, as such he contributed to the Young Fabian pamphlet *Students today*. He is now employed by the British Steel Corporation and is a Labour councillor in Hounslow.

Ken Jones, a former research associate in trade union studies at University College, Cardiff and head of the Research Department of the Post Office Engineering Union, is now Manager of the Social and Regional Policy Department of the British Steel Corporation. He was joint author with John Golding of the Fabian pamphlet *Productivity bargaining* (Fabian research series 257).

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