New Horizons Programme
The Economic Viability and Self-Containment of Geographical Economies: A Framework for Analysis
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The Economic Viability and Self-Containment of Geographical Economies: A Framework for Analysis
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Although this report was commissioned by the Office, the findings and recommendations are those of the authors and DO NOT necessarily represent the views of the Office of the Deputy Prime Minister. This report will form part of our evidence base when tackling future issues and policies.
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1. Executive summary

Understanding the economic viability and self-containment of geographical economies at a range of spatial levels connects with significant conceptual and policy issues. This research project set four principal objectives:

- To identify the key determinants of the economic viability and self-containment of geographical economies and their variation and interaction across a range of geographical scales
- To examine and construct the available evidence base illustrating the drivers of economic viability and self-containment at a range of geographical scales
- To develop a methodological framework to analyse the economic viability and self-containment of geographical economies
- To undertake a pilot study using the framework and assess its wider applicability for future research and policymaking.

Economic viability for a geographical economy at a particular spatial level can be understood as a place capable of generating and sustaining sufficient economic activities and jobs for its population. Economic viability is a question of degree, places can be more or less economically viable. Economic viability has no simple relationship to spatial scale. It is evident across spatial levels, although higher geographical scales may be potentially more economically viable given their breadth and diversity of determinants of economic viability.

Self-containment for a geographical economy at a particular spatial scale can be interpreted as the balance and coherence between the jobs, housing, infrastructure and services to allow needs to be met in place without necessarily requiring travel outside that place. Self-containment can be absolute: 100% self-containment is possible. But, more often, self-containment is a question of the relative degree of openness or closure of a place at a specific spatial scale. Areas at wider spatial scales tend to be more self-contained because they may encompass more of the determinants of self-containment and the friction of distance underpins localised interaction.

There is no simple relationship between economic viability and self-containment for geographical economies. Economic viability can be either a cause or a consequence of self-containment. Larger and more open areas may have the potential to be more economically viable but cases of smaller and more self-contained areas being economically viable also exist. The lack of simple relationships between economic viability and self-containment and geographical scales of operation suggests the need for a multi-scale understanding of both concepts that is sensitive to the relationships between spatial levels, in particular the economic context, in shaping economic viability and self-containment for particular geographical economies at specific spatial scales.

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1 We want to thank all the participants in this research project who gave generously of their time, Simon Raybould for the maps and Sarah Fielder, Tina Golton and Charles Tarvin at ODPM for their feedback.
The recent conceptual approaches to economic viability for geographical economies emphasise the need for a degree of self-containment geographically to embed the externalities and agglomeration economies central to economic growth and a degree of external openness to flows of knowledge, people, goods and services at higher spatial scales. A key issue for particular places is the appropriate balance in extent and character between self-containment and openness to support economic viability at a specific geographical scale.

Drawing upon the literature review, this study has identified and developed the following determinants of economic viability and self-containment for geographical economies:

- Economic growth
- Economic income
- Investment and economic assets
- People
- Employment structure
- Economic structure
- Economic roles and functions
- Innovation, learning and knowledge
- Place-based
- Government and governance.

Each determinant shapes economic viability and self-containment in geographical economies in particular ways across a range of geographical scales. There is no simple relationship between the determinants of economic viability and self-containment and their geographical scale of operation. Each can be evident across spatial levels. A ‘variable geometry’ of determinants may be working across multiple and different scales in different places. Our methodological framework chose to focus on the TTWA or sub-regional geographical scale and married aggregate comparative analysis focused upon the ‘people’ and ‘employment structure’ determinants of economic viability and self-containment with in-depth case studies of Darlington, Hartlepool, Luton and Milton Keynes.

The key findings of this pilot study were:

- The determinants of economic viability and self-containment working at different geographical scales come together in distinctive ways in specific geographical economies
- There is a very uneven pattern of economic viability and self-containment within geographical economies at each geographical scale
- High levels of self-containment are unlikely given current trends in the economy, especially at lower spatial scales
• The economic context and relationships between places are critical influences upon the economic viability and self-containment of geographical economies across spatial levels.

The identification of economic viability and self-containment at different spatial scales suggests policy interventions need to develop a degree of sensitivity to the geographical scales at which such processes operate. For example, policies related to matching labour supply and demand need to be at the TTWA scale not wider or more localised whereas tackling deprivation may warrant more localised approaches. More broadly, the key policy issues identified were:

• What kind and at what scales can policy interventions help places to achieve the appropriate balance between self-containment and openness to achieve economic viability?

• How can policy influence the geographically circumscribed externalities and agglomeration economies and the global ‘connectedness’ to support economic viability in places at a range of geographical levels?

• The critical influence of place-based factors upon economic viability and self-containment, especially at the local level, suggests place matters for policy-making but this can raise issues of co-ordination and integration due to the distribution of policy functions across institutions working at different spatial levels

• In the context of emergent and more complex policy designs working across geographical levels and on new territorial entities, for example city-regions and pan-regional areas such as the Northern Way, economic and spatial strategies need to acknowledge the complexities and challenges that economic context and the roles and relations between places may generate for policy-making and delivery

• Specific policy interventions may be more appropriate and potentially more effective in shaping specific determinants of economic viability and self-containment for geographical economies at certain geographical scales

• The complex ways in which economic viability and self-containment play-out through a range of spatial scales in particular geographical economies reinforces the need for detailed knowledge of how the determinants or ‘drivers’ have shaped and – in the future – are likely to shape the prosperity and prospects of places.

Further research may extend and develop the methodological framework to examine a wider geographical selection of TTWAs and consider different regional contexts and states of economic viability and self-containment for geographical economies at the sub-regional TTWA level. The framework could also be assessed for its value at spatial levels higher than the TTWA or sub-region (e.g. city-regions or regions) or scaled down to address lower spatial levels (e.g. communities or neighbourhoods). In addition, there are many questions left to explore by broadening the quantitative analyses out beyond the ‘people’ and ‘employment’ fields, for example the extent to which areas are reliant upon service provision facilities elsewhere or the extent to which they are dependent upon substantial financial net inflows from central government.
2. Introduction

Increasingly, economic activities are understood as operating across and between a broad range of geographical scales or levels: the global, international, national, sub-national, regional, local, community and neighbourhood. The functional role and reach of places has sometimes extended and/or contracted for different activities at different spatial levels. The multi-level or multi-layered extent and nature of the economy establishes a complex context within which to understand the economic viability of places at specific geographical scales. Making sense of what economic activities take place where, at what geographical level, in which institutional sectors (e.g. private, public, voluntary), at what intensity and with what economic implications (e.g. investment, jobs, skills, innovation, enterprise) is an increasingly complex task.

Specific types of geographical economies – recognised as spatial units such as regions, city-regions, localities or communities – are connected to complex webs of economic activities. Each unit may be linked into economic relations simultaneously operating across the range of geographical scales. This involves an: “everyday geography of economic organization. This is a geography of stretched corporate networks and flows of varying spatial reach and intensity”. For example, a place may contain a private sector competing in international export markets, a nationally-funded public sector oriented to local service delivery and a voluntary sector engaged in community-based ‘not-for-profit’ social enterprise. Whether and how specific geographical economies ‘add-up’ or cohere for periods of time and what they mean for the economic viability of particular places at different geographical scales presents an analytical and policy challenge.

The conception of a geographical economy comprised of economic activities operating across a range of geographical scales raises serious questions for public policy. Area-based approaches typically fix upon a specific geographical scale in addressing a particular socio-economic issue. Recent examples include communities, market towns, neighbourhoods and regions – even pan-regional entities such as ‘The Northern Way’. The multi-level nature of the economic activities within which these specific types of geographical unit and particular places are embedded questions whether this type of policy approach is effective or sensible. Only recently have relatively more ‘open’ understandings of geographical scale and the differing economic viability of geographical units influenced policy, for example in the ODPM’s Sustainable Communities Plan. Here, the geographical scale of policy appears to be tied to emerging places (e.g. Thames Gateway) rather than specific, pre-defined spatial levels (sub-region or locality). Thinking through how policy might understand and influence geographical economies working across and through multiple scales is a pressing task.

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2.1 The determinants of economic viability and their variation at different geographical scales

Economic viability can mean a geographical economy – a place understood at a particular spatial level – capable of maintaining economic life and able to exist within a particular context. Viability may also suggest the capability of a geographical economy to reproduce itself over time through the dynamic germination of new and renewal of existing economic activities. Viability changes over time and the durability and longevity of any geographical economy shapes its potential sustainability in economic, social and environmental terms. Economic viability may take considerable periods of time to develop but it may unravel relatively quickly, for instance in response to external shocks. The challenge for policy is to manage such risks and ensure economic viability can maintain the coherence of particular geographical economies. Economic viability may also assume particular definitions, for example as a ‘self-sufficient’ geographical economy at a specific scale based upon private sector activity and not reliant upon public transfer payments. In this case, is the local tax base sufficient to sustain local public services? Economic viability is concerned with the self-reinforcing and self-sustaining aspects of economic growth within a geographically defined area.

Conventional regional economic theory derives from the factors of production the key determinants of geographical economic growth: capital stock, labour force and technological progress. Recent endogenous growth theory emphasises the importance of increasing returns, human capital and positive externalities such as technological spill-overs in explaining geographical agglomeration. Analysis of the geographical scales of economic activity uses, for example, data about the geographical sources of investment flows and stocks, economic migration and R&D activity. Recent policy analysis has focused upon the ‘drivers’ of differential regional growth performance – identified as part of the ODPM, HMT and DTI work on productivity relating to PSA2 – and the impact of place-based factors on the key ‘drivers’ of growth. A developing evidence base has been identified in education and skills, employment and enterprise, that indicates the critical role played by place-based factors such as peer effects, neighbourhood and intergenerational effects. The fragmented literature from a range of disciplines and policy analysis addresses the determinants of economic viability. There exists a clear need systematically to review and synthesise this literature in a policy relevant way.

The scale at which such determinants of geographical economic activity operate is the subject of a diversity of evidence. For example, labour force commuting patterns have stretched, further disconnecting the places where people work from where they live, and

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the geographical spread of flows for higher skilled workers have widened dramatically. The scales over which clusters of economic activity operate vary, often only emerging as the intensity of economic relations deepens. The technological spill-overs central to innovation and learning are often highly localised. Flows of public expenditure within geographical economies are from diverse sources and geographical levels. International connectivity matters for transport infrastructure to support economic activity. In sum, such work – *inter alia* – reinforces the picture of the complex context of a multi-level geographical economy. Little of this research has made explicit linkage to questions of economic viability, however.

In terms of geographical scale, some analysis suggests that the city regions can be coherent, economically successful and economically viable in the context of the globalized, territorial knowledge economy. For the analysis of a complex, rapidly changing and multi-scale economy, however, fixing exclusively upon a single geographical scale of analysis and policy intervention may be premature or misleading. The scales at which economic activities operate in places at any particular time are an empirical question. In the context of multi-level geographical economies, questions about what makes places economically viable, and at what geographical scales, require conceptual clarity prior to the analysis of evidence.

Within the multi-scale framework set out for this research, the scale between the region and the local authority is the most in need of further investigation. At this sub-regional scale there has been an increasing gap in the English governance structure with the abolition of Metropolitan Counties followed recently by the creation of some unitary authorities from parts of some shire counties. Yet this scale has in the last few years become the focus for policies to be shaped within a new paradigm of city regions, leading to the need for research to specify what city regions are and what form they actually take. Put in the context of this study, city regions are a scale which may be appropriate for those analyses of spatial economic performance whose focus is on input-output linkages and the regional ‘multipliers’ of different industrial sectors. In this report the emphasis is placed more on aspects of viability related to people, and hence on labour and housing markets more specifically. The city regions scale is too large to be a local labour market area except for a well-paid minority such as professional workers. In this research the spatial focus is, as a result, on the Travel-to-Work Area (TTWA); these areas were specifically defined to approximate the local labour market areas for the bulk of the labour force.

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2.2 Economically self-contained and viable geographical economies

Self-contained economies may be evident across the range of geographical scales. Self-contained economies may be understood as those where a particular mix of economic activities cohere and integrate at a specific geographical scale, for example a region or locality. Self-containment may be evidenced by a particular pattern of population change, commuting flows or industrial export orientation. The degree and nature of self-containment varies by economic activity and changes over time. Spread effects can disperse the benefits of economic viability from prosperous to disadvantaged areas. Similarly, more prosperous and economically viable places may denude other places of factors of production – such as investment capital and skilled labour – through backwash effects. Varying degrees of self-containment in geographical economies can enhance or inhibit such processes.

At each geographical scale, the economy is open to varying degrees. Factors of production – especially capital and to a lesser extent labour – are mobile and often tied into economic relations and activities working across geographical scales. The porous nature of geographical economies makes them challenging objects for local and regional development policy. For example, local economies can act as ‘leaky buckets’ where policy focuses resources upon creating localised effects, such as job creation, whose local impact is often dissipated within wider geographical economies. Accepting this openness and seeking to connect ‘areas of disadvantage’ with ‘areas of opportunity’ has recently been the Government’s preferred policy approach. However, our approach suggests that making sense of what is happening in particular places – understood as geographical economies encompassing economic activities operating across a range of scales – faces critical questions: what value-added is retained in a place? How much washes in and out? How can policy influence the coherence and economic viability of geographical economies in particular places?

The relations between economically ‘self-contained’ and economically viable geographical economies are potentially fourfold (Table 1). Economies can be self-contained and viable or not (cells A and B). For example, population change may be static in a locality – suggesting a degree of self-containment – but its resident labour force may be engaged in either high or low paid occupations with different disposable incomes and spending patterns that can directly influence the economic viability of the locality. Economies can also not be self-contained and either viable or not (cells C and D). For example, a locality may be connected to vibrant centres of growth outside its area but the nature and extent of economic activity such as retail and service markets this supports inside the locality influences its viability. Being self-contained does not necessarily guarantee economic viability at whatever geographical scale. The benefits of particular drivers of economic viability may be dissipated or retained within geographical economies across a range of scales.

Understanding the geographical scale at which geographical economies are ‘self-contained’ and whether or not these represent economically viable units requires an analytical framework that recognises the multi-level nature of geographical economies and examines the empirical evidence base. This research seeks to contribute directly to this current and future research and policymaking agenda.

### 2.3 Research aims and objectives

The key aim of the project is to better understand the drivers of economic viability and self-containment for communities at a range of geographical scales. The specific objectives comprise:

- To identify the key determinants of the economic viability and self-containment of geographical economies and their variation and interaction across a range of geographical scales
- To examine and construct the available evidence base illustrating the drivers of economic viability and self-containment at a range of geographical scales
- To develop a methodological framework to analyse the economic viability and self-containment of geographical economies
- To undertake a pilot study using the framework and assess its wider applicability for future research and policymaking.

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Source: Authors’ Research
2.4 The relevance of the research to ODPM

The proposed research is relevant to ODPM in the following ways:

- It supports ODPM thinking and provides a sound evidence base for policymaking to contribute to the current PSA targets to promote the development of the English regions by improving their economic performance and realising their potential.
- It contributes to ODPM’s future strategic agenda of creating liveable, prosperous and sustainable communities by examining the determinants or ‘drivers’ of economic viability and self-containment across geographical scales.
- It identifies key determinants or ‘drivers’ and trends at different spatial levels to inform policymaking.
- It provides an integrated evidence base and innovative, practical methodology to analyse the economic viability and self-containment of geographical economies at different spatial levels.

2.5 The structure of the report

This final report to ODPM for our project ‘The Economic Viability and Self-Containment of Geographical Economies: A Framework for Analysis’ funded as part of the New Horizons Research Programme builds upon the analysis presented in the interim reports produced for this project. The report is organised in the following way. Section 3 reviews the conceptual and theoretical issues in the academic and policy literatures. Section 4 sets out our analysis of the literature in a commentary on the identified determinants or ‘drivers’ of economic viability and self-containment for geographical economies across a range of spatial levels. Section 5 details our methodological framework, including the methodological justification for our choice of comparator areas and case studies – Darlington, Hartlepool, Luton and Milton Keynes – in their particular regional contexts. Developing the ‘People’ and ‘Employment structure’ determinants of economic viability and self-containment, Section 6 presents empirical analysis of our case study areas in the context of 25 comparator places in England for demographic structure and migration and local employment opportunities and self-containment focusing on the sub-regional scale of TTWAs. In the context of the identification of determinants and the aggregate comparative analysis, Section 7 presents an in-depth analysis of the findings and issues from our case studies at the sub-regional scale. Section 8 details the main conceptual and empirical findings, policy issues, issues for further research and data gaps.

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3. The economic viability and self-containment of geographical economies

This section reviews the conceptual and theoretical issues in the academic and policy literature concerning economic viability and self-containment and their geographical scales of operation. The review is organised around the main schools of thought and approaches to geographical economies.

3.1 Defining economic viability and self-containment and their relationships

Our preliminary understanding of economic viability is a geographical economy – a place understood at a particular spatial level – capable of maintaining economic life and able to exist within a particular context. Self-contained economies are interpreted as those where a particular mix of economic activities cohere and are integrated at a particular geographical scale, for example a region or locality. There are some important differences between the two concepts which it is valuable to identify at the outset. The first is that the concept of viability has normative overtones: all areas – at every geographical scale – will tend to seek economic viability. By contrast, it is open to investigation and debate whether areas at any scale do benefit from being self-contained.

The second difference concerns the relation between each concept and the hierarchy of geographical scale. In practice, areas at wider scales tend to be more self-contained, simply because the ‘friction of distance’ encourages more localised interaction where it is feasible. There is no similar rule-of-thumb relationship between viability and spatial scale: there are probably just as many examples of more viable small areas which are part of less viable larger ones, as there are of the opposite pattern. A third difference has implications for measurability, but is rooted in the concepts themselves. An area can be 100% self-contained – for example, this is true of the global economy in practice – but it is not valid to claim that an area can ever be 100% viable. The implication of this is that any measure of viability is purely relative. In fact this last point links back to the normative aspect of viability, because however viable an area may appear to be, the likely policy aim is to further increase that level of viability.

The discussion above has been looking at links between self-containment and viability, on the one hand, and various drivers on the other. This has left open the question of how the two key concepts for this study are related to each other directly, with the possibility that this relationship will vary at different spatial scales. Bearing in mind that Britain’s economy is known to be one of the most open in the world, there is little likelihood that a region or locality in England can be both highly self-contained and also rapidly growing economically. Higher levels of self-containment in relation to key flows such as trade and information are more likely to be associated with a degree of stagnation or, just possibly, a future attempt to pursue in that area very much higher...
levels of sustainability (even if this carries the price of reduced levels of economic growth as it is traditionally measured). Conventional definitions of economic viability focus on growth which, in the current paradigm brings ever more spatial integration through trade and other flows. Thus, the growth over recent decades has had the consequence that self-containment levels have fallen over time due to the processes leading to increased integration which range from ‘globalisation’ to the less dramatic, but possibly more pervasive, factors like growing car use which reduce the ‘distance deterrence’ to the mobility of people and goods at sub-regional scales in particular.21

Yet this is not to say that reduced self-containment is a sufficient condition for economic viability. Just as developing countries have found that ‘opening up’ to global trade can lead to economic decline rather than growth, so areas or regions within England can find that reduced self-containment increases risks as well as possible opportunities. This lesson was acutely learnt in the predominantly northern areas of the UK which had grown rapidly through their industries exporting vigorously until the international depression between the wars: when the ‘crash’ came the hardest hit areas were those like Jarrow in North East England where the self-containment of the trade flows on which the town depended was virtually nil: after all, how many ships could the people of the town buy? In contrast, whereas the areas which had not industrialised had remained more self-contained and they were less affected by the collapse in international trade, allowing them a more steady and balanced growth trajectory.

3.2 Literature review

The following literature review examines the concepts of the economic viability and self-containment of geographical economies and their variation and interaction across a range of scales. This more general review prefigures the analysis and identification of the key determinants of economic viability and self-containment in Section 4. The review has been undertaken through engagement with, in the main, the relevant academic literature as well as policy and ‘grey’ sources. Systematic searches have been made of the relevant bibliographic databases of academic sources (e.g. BIDS, Web of Science, Zetoc), the policy literature from relevant institutions within the UK and internationally (e.g. central government departments, Joseph Rowntree Foundation, local authorities, OECD, ILO) and appropriate ‘grey’ literature from other institutions (e.g. think-tanks).

The relevant literature spans several disciplines and uses a range of approaches. This review is therefore organised around distinctive conceptual and theoretical approaches, as well as strands of recent relevant research. Different analytical and methodological approaches are evident alongside differing degrees of engagement with policy. The review below details the main components of the literature review, identifying conceptual issues that are further developed in the following section on the determinants of economic viability and self-containment in geographical economies.

3.3 Neo-classical economics

Economic viability may be defined as the ability of a geographical economy – at a range of scales – to generate sufficient growth and income both to sustain its continued growth and generate a surplus for social welfare distribution and future investment, especially in the technological progress that fuels further growth. The factors of production of capital stock, labour force and technology are central to growth determination. Through efficient resource allocation within markets, the benefits of growth are assumed to ‘trickle-down’ through the distinct spatial levels of geographical economies. Economic growth and viability are closely connected and positively related.

Given the assumptions of perfect knowledge and the perfect mobility of factors of production for efficient resource allocation, any constraints within geographical economies would be considered a rigidity or impediment to the free working of the market. Self-containment within a geographical economy may therefore occur through the natural working of the market. Factors of production may be attracted to and cohere at particular locations and specific scales according to price signals, for instance in capital or labour markets. However, self-containment may also generate potentially negative effects upon factor mobility, for example fostering imperfect information, and inhibit the development of scale economies, for example through bounding or containing the geographical market.

Neo-classical models of comparative advantage are based upon differential factor endowments and open trade between geographical economies, usually at the national or regional level. Each place specialises and trades in their comparative advantages, such as natural resources, labour, capital and knowledge, for mutual gain and growth. Successful trading performance and economic viability are positively related. Any degree of closure or self-containment may be evident only within the largest and most broadly endowed economies. Otherwise, self-containment may be interpreted as the result of inefficient protectionism or part of deliberate economic development strategies, especially at the national level. Strongly self-contained geographical economies may be interpreted as undeveloped or ‘backward’ and in need of modernisation and connection to the economic mainstream and the efficiency-seeking pressures generated by competition and markets.

In regional science and regional economics, the quantitative modelling of labour flows and leakage from local labour markets suggests that spatially contiguous or adjacent areas are intimately related through the labour market. Economic viability and self-containment are strongly related to the geographies of labour market processes and outcomes. Neo-classical approaches emphasise the importance of the openness of geographical economies to the mobility of factors of production and trade for economic growth and viability.

3.4 Keynesian economics

Export base theory sees external demand for a geographical economy’s products as determining its growth rate and economic viability. The geographical economy’s response to external demand stimulates growth in the basic or export sector and in the residentiary or non-basic sector. In common with theories of comparative advantage, internal resource endowment and the relative competitiveness of products produced in the geographical economy determine the export growth and economic viability. The export-led growth process can be cumulative with positive multiplier effects upon income, an induced accelerator effect on investment, increased labour inflow and demand for local goods and services and the growth of subsidiary industries and external economies. Cumulative reversal of this process and relationships may also occur, for example through shifts in the demand for exports, technology and competition. An open economy and limited degree of self-containment is required to connect to external export markets at the extra-local, regional, national and international scales.

The Keynesian view of the cumulative nature of economic growth in geographical economies is based upon increasing rather than constant returns to scale, agglomeration or external economies and the positive growth implications for places that were first to industrialise. Growth in developed geographical economies or ‘cores’ may benefit lagging or ‘peripheral’ places through ‘spread’ effects including expenditure multipliers, technological diffusion and export markets for their products. However, although relatively under-developed or peripheral geographical economies may offer low wage labour, this might be offset by more powerful agglomeration economies in the developed or core places. ‘Backwash’ effects could further reinforce disparities through encouraging capital and labour flows from lagging to developed geographical economies. Through such feedbacks, cumulative causation can work in a positive direction and create ‘virtuous circles’ of growth and development especially at the local and regional scales. Conversely too, negative relationships can create ‘vicious circles’ of decline, for example a decline in export competitiveness or external shocks such as price rises in factor inputs.

Economic viability in geographical economies is interdependent across a range of spatial levels. While the Keynesian notion of a relatively closed economy, particularly at the national level, was never especially applicable to sub-national, regional and local economies it is ever less so now. Geographical economies are more porous and open to external connections and relationships with other places across a range of scales.

In policy terms, interventions have sought local and regional economic viability through attempts geographically to contain and encourage economic activity. The backward and forward linkages associated with traditional growth pole theory have often been the focus of policy intervention, for example in the recent United Nations Commission on Trade and Development (UNCTAD) linkage programme. Community development-oriented organisations have focused upon the contributions to economic viability of increasing the self-containment of local multipliers, particular at the local scale. For example, the New Economics Foundation have developed the ‘Plugging the Leaky

Bucket’ programme to prevent the leakage of income from local economies and to foster local economic development through inward investment, import substitution, and indigenous economic activity.\(^\text{28}\) Similarly, the EU Territorial Employment Pacts have sought to localise the operation of labour markets through integrating demand and supply locally. Keynesian approaches emphasise the importance of increasing returns, externalities and agglomeration in geographically contained economies.

### 3.5 Stages theory

Stages theory interprets geographical economies as moving through progressively more advanced stages of economic growth, from agriculture to manufacture to services to quaternary or knowledge-based forms of development.\(^\text{29}\) In this model, the maintenance and development of economic viability requires forward movement through the successively modernised stages of growth. Internal and external determinants operating at a range of scales, such as diminishing returns and changes in the internal division of labour, propel the transition between stages. A critical mass can be reached and transformation in the developmental trajectory of geographical economies occurs. A ‘ratchet effect’ is evident whereby growth patterns get locked in to place and guard against future contraction, for example through densely localised linkages, specialised public infrastructures, localised demand and labour markets as well as innovation potential.\(^\text{30}\) Scale diseconomies from congestion and bureaucracy may counter this effect. Stage theories have focused upon national and regional scale analysis, including sectoral change. Over time, specialisation and trade replace self-containment and self-sufficiency in geographical economies. In stages theory, modernised and viable economies are assumed to be open economies.

### 3.6 Political economy and the spatial division of labour

Economic viability can be shaped by the role that a geographical economy performs within the broader economy. The function of a place within the broader spatial divisions of labour shape the extent and nature of investment, occupational structures and jobs.\(^\text{31}\) Aggregate employment figures conceal hierarchical spatial structures of inter-relations between geographical economies with implications for job quality and geographical functional specialisation.\(^\text{32}\) Where places lack the strategic decision-making functions – such as headquarters and R&D – they may be susceptible to the vagaries of external control as decisions are made by external interests little concerned with the economic viability of particular geographical economies at specific spatial scales. Despite changes in corporate organisation, including flattened hierarchies and more decentralised

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structures, when external control is reproduced over time it can perpetuate the problems of the branch plant economy across a range of geographical scales.  

Places can find a degree of ‘structured coherence’ that supports their relative prosperity through investment, growth and jobs. This can be manifest at a range of geographical levels: regions, city-regions, cities, localities and/or communities. However, ‘structured coherence’ is often only maintained for relatively short periods of time without constant renewal. The local coherence of places and their durability as cohesive geographical economies animated the community studies research in the 1970s and the localities debate in the 1980s.

The more recent relational approach interprets geographical economies as made up of economic and social relations that are stretched across space through a range of geographical levels. In this view, places are no longer interpreted as closed and bounded. A local economic autarky of wholly self-contained geographical economies is interpreted as unrealistic. Instead, places are seen as open and unbounded, especially in relation to their economies. Economic viability and self-containment are influenced by the effects of the more porous and interdependent nature of places in their relationships with other places. Uneven economic and social development and geographical disparities remain, however. The reach of some places has extended while for others it may have contracted.

New approaches to geographical level or scale have developed. Hierarchical conceptions – ranging from the global down to the local – have been questioned. Some authors now interpret scale as a range of nested and inter-dependent levels. Geographical economies are seen as multi-layered and multi-level constructions encompassing the actions of multiple agents from capital, labour, the state and civil society. The scales at which the determinants of economic viability and self-containment operate are more complex and inter-related. Political economy approaches emphasise the importance of history in shaping the trajectory of geographical economies and highlight the ways in which they are increasingly sensitive to external connections beyond their boundaries across and between a range of scales.

3.7 Transition theories and the resurgence of local and regional economies

Theories seeking to explain the transitions in the nature of geographical economies in capitalism have focused upon the resurgence of local and regional economies. Depending upon the specific conceptual approach, the economic viability of industrial districts has

local determinants and is dependent upon positive externalities (e.g. economist Alfred Marshall's labour market pooling, specialist supplier availability and technological knowledge spill-overs), localised networks of small firms and a supportive institutional context. Vertical disintegration and agglomeration can reduce transaction costs, provide flexibility and reduce uncertainty for producers competing in fragmented and fast changing markets. Recent typologies have been more open to particular place-based circumstances and the role of large firms, state actors, local fixed capital and skilled labour.40

To a degree, the industrial district model relies upon self-containment through localised economic relations and exchanges as well as supporting institutions. However, it simultaneously assumes openness, competitiveness and connection to external export markets for locally produced goods and services. In policy terms, industrial district theory has encouraged the focus upon indigenous ‘bottom-up’ forms of local and regional development. This approach has been widespread, although more recent concerns about its degree of transferability have been expressed.41 Context-sensitive and place-based policy tailored to particular local and regional circumstances have also been developed.42 Transition theories emphasise the importance of local economic containment and openness for local economic viability.

3.8 Institutionalism and socio-economics

Institutional and socio-economic approaches to the economic viability of geographical economies have emphasised the role of distinctive local assets and economic capabilities in constructing and establishing local and regional competitiveness.43 The focus is on indigenous or naturally occurring approaches and the encouragement of endogenous growth from within local and regional economies. Network approaches emphasise the relative prosperity and economic viability of ‘high trust’ localities and regions more capable of rapid innovation and adaptation due to collaboration to share costs and risks, exchange information and solve problems.44

Institutional environments and arrangements explain the differing abilities of geographical economies to absorb or create technological progress that can underpin disparities in economic performance.45 Moreover, economic viability is seen as dependent upon the ability of local and regional institutions to develop especially indigenous assets, for example through embedding economic activity through linkages, and foster adjustment to changing circumstances, for example through technology

support. Institutional action is typically focused upon capturing more of the value-added in geographical economies from activities operating across the range of geographical scales. The need for local knowledge, credibility and trust necessarily draws boundaries around the geographical scope of effective development institutions, although in common with transition theories they often seek to balance the self-contained and externally oriented aspects of geographical economies.

Much recent research has focused upon social capital and its role in local and regional development. While exhibiting a degree of common conceptual concern (albeit frequently confused), social capital has been operationalised in highly diverse ways, often reflecting differences between (and within) disciplines (including economics, sociology, anthropology, political science, education) and diverging normative concerns. Farr\textsuperscript{46} has attempted the following conceptual summary:

“In a way both compact and capacious, the concept of social capital boils down to networks, norms and trust. Upon inspection, networks prove dense and valuable, norms pervade individual actions and social relations, and trust appears psychologically complex ... [Thus] social capital is complexly conceptualized as the network of associations, activities, or relations that bind people together as a community via certain norms and psychological capacities, notably trust, which are essential for civil society and productive of future collective action or goods, in the manner of other forms of capital” (pp. 8-9).

The use of the term ‘capital’ suggests the existence of an asset with potentially positive relations to economic viability. Much of the literature on social capital suggests that this asset has substantial implications for economic development, notably by helping the innovation process through lowering of transaction costs in inter-firm networks, which can be a highly localised process involving the development of trust based relationships.\textsuperscript{47} Such processes can have a down-side contributing to a lock-in of widely supported but economically inefficient practices.\textsuperscript{48} Social capital may have direct and positive relationships to fostering self-containment within geographical economies over time. The individuals, groups and institutions investing in social capital may seek to preserve and enhance the value of their collective assets. For this reason the accumulation of local social capital may be insufficient for local and regional development. For development to advance in poor communities, the initial benefits of intensive intra-community integration must give way over time to extensive extra-community linkages: too much or too little of either dimension at any given moment undermines economic advancement.\textsuperscript{49} Self-containment may have to be reduced or tempered to support and promote economic viability through social capital.

This problem has been conceptualised as the relationship between bonding, bridging and linking capital. Bonding capital refers to networks formed from perceived shared identity relations. Bridging capital refers to networks of associations where the differentiating principle of shared social identity or status plays no necessary role in determining membership. Despite the analytical clarity of these concepts they have proved difficult to use in empirical work. Linking capital refers to relationships of exchange, like in the case of bridging capital, between differentiated parties, but in this case parties also characterised by power asymmetries. The significance of this analytical distinction for policy is that development becomes not simply a question of empowering the poor, but also of managing the interaction resources held by external agencies which are present in poor communities. Accordingly positive development outcomes occur “… when people are willing and able to draw on nurturing social ties (i) within their local communities; (ii) between local communities and groups with external and more extensive social connections to civil society; (iii) between civil society and macro-level institutions; and (iv) within corporate sector institutions. All four dimensions must be present for optimal developmental outcomes” (pp. 186-7).50

The changing nature of economic viability and self-containment over time has also been addressed in evolutionary socio-economics. In particular, the biological metaphor of path dependency refers to the ways in which the evolution of a system – in this case a geographical economy – is conditioned by its past history.51. Geographical economies have histories and trajectories that shape their paths and prospects of future development. Patterns of uneven local and regional development, once established, can exhibit strong degrees of persistence over time that may serve underpin or inhibit growth. Economic viability and self-containment have historical roots, often rooted in particular attachments and legacies embedded in places, that shape their maintenance and future development across a range of scales.

Different types of ‘lock-ins’ – economic, institutional and/or political – can underpin the self-containment of geographical economies.52 These can be beneficial when growth and prosperity is ‘locked-in’ for a period, furthering the economic viability of the geographical economy. It can be negative, however, when particular ‘lock-ins’ prevent the adaptation and adjustment from decline and disadvantage, for example as a result of structural or technological change. Institutionalist and socio-economic approaches emphasise the importance of formal and ‘hard’ institutions – such as organisations – and informal or ‘soft’ institutions – such as trust, social capital – in shaping economic viability and self-containment in geographical economies, particularly at the local scale.

3.9 Innovation, knowledge and learning

Recent research on economic growth and viability has focused upon the roles of innovation, knowledge and learning. Innovation is central to the technological progress propelling economic growth and viability in geographical economies. In the context of a ‘knowledge economy’, the production, utilisation and transmission of knowledge are seen as integral in a more uncertain economic context marked by rapid and, often radical, economic and technological change. Economically viable places are knowledge-rich places. Learning relates to the ability of places collectively or socially to learn and adapt successfully to such changes. Crucially, learning is considered to be enhanced through local proximity as rapid knowledge transfer and application generate positive externalities for firms and other institutions. Approaches to ‘regional innovation systems’ and ‘learning economies’ share a concern with physical and technological infrastructures, such as industrial and university R&D and related industries and services, highly skilled local labour markets, availability of risk capital and the supporting social context of regional technical culture, know-how and common representational systems. Self-containment in geographical economies is influenced by the geography of innovative linkages and technological spillovers, in particular their degree of localisation. External connections are critically important too, linking places into specialised networks that extend beyond individual localities and regions. Innovation, learning and knowledge approaches detail the forces shaping economic viability in the knowledge economy and emphasise both a degree of economic self-containment and external openness and linkage.

3.10 New endogenous growth theory

Rather than treating them as external or independent, the new endogenous growth theories extend the traditional neo-classical approaches to incorporate key factors of production within (endogenously) their models – including population growth, savings rates, human capital and technological change. Increasing – rather than diminishing – returns and externalities explain growth in geographical economies, especially agglomerations at the city and city-regional scale. In particular, human capital and technological progress are seen as both causes and effects of growth. Economic viability in geographical economies is dependent upon the scale at which positive externalities such as technological spill-overs and skilled labour markets cohere. A degree of

economic self-containment is necessary within such territorial agglomerations since proximity underpins some of the growth effects of increasing returns and externalities. However, connection to national and international flows of investment and knowledge are critical too.

In contrast to models of comparative advantage, the new trade theory argues that increased specialisation has resulted from increasing returns to scale rather than the exploitation of differential national factor endowments. External economies driving increasing returns are likely to be realized at the local and regional scale rather than the national and international level. Urbanisation economies from the general infrastructure and common externalities are seen to arise from different industries locating in urban areas. It is such spill-overs from the key elements of growth that underpin the localization of industry and shape the relative competitiveness of the constituent firms within regional agglomerations. The economic viability of geographical economies is shaped by such forces of agglomeration. New endogenous growth theories emphasise the importance of increasing returns, externalities and agglomeration in economic viability and the significance of local and regional economic self-containment.

3.11 Competitive advantage and geographical clusters

Clusters of related firms and supporting institutions can provide the localised externalities and spill-overs to enhance competitive advantage, productivity growth and trading performance. The competitive advantage of leading firms and industries could be reinforced and intensified by their geographical concentration. Clusters may have the potential to contribute to economic viability. However, the geographical scale and levels at which clusters form, operate and extend often lacks clear specification. While clusters rely upon a degree of self-containment – often at the sub-national, regional or local scale – to stimulate externalities and spill-overs, they are also explicitly open to the rigours of export markets at the national and international scale. Clusters policy has been highly influential at the international, national, regional and local levels. Competitive advantage and the broader notion of competitiveness have been evident in discussion about cities and city-regions. Competitive advantage and clusters suggests that places need to be internationally competitive to be economically viable and, simultaneously, to retain a degree of self-containment to support the localised processes of cluster development.

3.12 Sustainable development

Sustainable development has questioned the focus upon economic growth as an end in itself or as an inevitable means to higher standards of living. More integrated forms of local and regional development have been sought to combine economic, environmental and social outcomes. Notions of the economic viability of geographical economies have been combined with explicit social and environmental dimension, for example the social and inter-generational equity of the current patterns of resource use. Increased self-containment of geographical economies may support more sustainable outcomes, for instance by reducing commuting flows, car use, freight transport and congestion. Balanced, equitable and harmonious forms of development in economic, social and spatial terms have been promoted, for example as part of the European Spatial Development Perspective (ESDP). This approach is seen as a more economically sustainable and potentially viable model capable of reducing regional level disparities across the European Union. Within the UK for example, commentators are arguing that in common with the original vision for the new towns of balanced and self-contained places, the Sustainable Communities Plan should emphasises prosperous, inclusive and sustainable entities integrating jobs, housing and public infrastructure. Sustainable development seeks an appropriate balance between the economic, social and environmental dimensions of economic viability and its geographical self-containment.

In response to the perceived negative impacts of globalisation, more radical approaches to sustainable development have sought the stronger localisation of economic activity. These strong forms of sustainable development seek to reduce both the demand and consumption of resources through the promotion of small scale, decentralised and localised forms of social organisation that promote local economic self-determination, self-reliance and mutual aid. Local and regional development examples include local trading networks and ecological taxes on energy, resource use and pollution. It connects to the research on constructing local circuits of value through local currency systems (e.g. LETS, Time Dollars). In direct contrast to the neo-classical approaches discussed above, this radical agenda seeks shelters and bulwarks to construct and promote economically viable and self-contained geographical economies away from the economic mainstream.

3.13 Regional, local and urban competitiveness

The competitive performance of localities, regions and cities has become increasingly significant in discussions of economic viability. Identification of the key determinants or ‘drivers’ of the competitiveness of places and designing appropriate policy interventions to shape them have become central tasks in local and regional development thinking and policy. Competitiveness has a potentially positive relationship with economic viability for geographical economies: enhanced competitiveness suggests greater economic viability. Competitiveness is in some ways conversely related to self-containment given its emphasis upon external competition and relative performance. Highly self-contained places may be unexposed or sheltered from external competition.

Conceptually, there has been little consensus about the competitiveness of localities, cities and regions and their particular geographical scales of operation. Shares of export markets, the attraction of capital and labour and, most importantly, productivity have been used as measures. Gardiner et al have developed the pyramid model to break down the target outcomes, revealed competitiveness and sources or determinants of competitiveness (Figure 3.1). This model is useful to inform the development of the determinants of economic viability and self-containment for geographical economies.

Figure 3.1 The ‘pyramid model’ of regional competitiveness

Source: Gardiner, Martin and Tyler (2004)


In policy terms, UK government departments – HM Treasury, DTI and ODPM – have developed ‘drivers’ of competitiveness. As part of the productivity agenda, HM Treasury identify five ‘drivers’ of productivity: skills, enterprise, innovation, competition and investment. ODPM’s ‘drivers’ of urban competitiveness reveals some overlaps and connections to their definitions of ‘Sustainable Communities’: innovation, human capital, economic diversity and specialisation, connectivity, strategic decision making and quality of life factors. Each ‘driver’ draws upon different conceptual approaches, relies upon a supply-side rather than demand-side emphasis, suggests policy universalism rather than context sensitivity, reveals little understanding of the appropriate scale of policy intervention and an unclear focus between economic efficiency and territorial equity. The approaches to the competitiveness of localities, regions and cities emphasise the external connection and relative performance of geographical economies, particularly in the international context.

3.14 Demographic approaches

Life course changes in different age cohorts of the population may have particular effects upon the economic viability and self-containment of geographical economies. For example, places lose young people going to university and they may not return. Places where they study may also struggle to retain graduates, all English regions are net exporters of graduates except the East, London and South East. In prosperous places, population turnover can also provide a regular influx of often skilled and young people into the labour market. However, extended families may also provide inter-generational support, for example childcare, that may facilitate the return of parents to the labour market.

The demographic approach emphasizes two elements of the sustainability of a place. The level of natural change is used to see the extent to which the local population is reproducing itself indigenously. Meanwhile, the migration component of population change normally denotes the extent to which any out-migration from a place is offset by people moving into it (aiming for a net migration balance), though it can also be used in the context of measuring overall population turnover (where the target would presumably be its minimization).

In demographic terms, it is natural change that is the more directly concerned with viability, though not just economically. With the national surplus of births over deaths now running at a low level in historical terms, a significant proportion of places in England experience natural decrease and therefore are dependent on net migration gains from other parts of the country or from overseas to maintain their demographic weight and related economic viability. This has for long been the case with places that form the destinations of retirement migration, in that these are reliant on the arrival of new rounds.

of retirees in order to compensate for the deaths of previous elderly incomers, but it also applies to areas that are ageing because of the out-migration of younger people.

In terms of self-containment, migration and residential mobility are by definition the key demographic measures. The latter is normally used to denote changes of address taking place within a place (strictly, the statistical area referring to a place), while migration refers to moves across the boundaries between places. Self-containment can thus be measured either in terms of the proportion of people who, whether or not they change address, remain a resident of the same place, or just in terms of address changing that does not involve crossing a place’s statistical boundary. Derived measures of self-containment include the proportion of people leaving an address in a place who move to another address in the same place and the proportion of people moving into addresses in a place that come from another address in a place as opposed to arriving from outside it. In terms of those arriving in or leaving a place, it is important to distinguish those who are moving long distances from those who move to adjacent areas that may be within the same ‘functional region’, e.g. people moving within the same labour market area and thus not being a gain/loss to the place’s labour supply.

In terms of gauging the significance of observed levels of self-containment, account must be taken of the fact that migration is a normal process. Indeed, areas which are more self-contained in terms of residential mobility tend to be the less economically dynamic places that are gently ageing and sinking in terms of their contribution to the national economy. As a corollary, more dynamic places tend to have higher rates of out-migration as well as of in-migration. This apparent paradox is explicable through the fact that, while they have higher out-migration than more self-contained areas, their in-migration rates are that much higher again. Their higher overall turnover is largely due to their populations having stronger representation of people who nationally are more likely to move, notably young adults and people working in more skilled white-collar work.

Any assessment of demographic self-containment must be made against the background of expected migration behaviour. This is most graphically illustrated by reference to the movement of people for higher education, which in the UK – much more than in most other countries – involves departure from the parental home, even for those living in places that possess universities. With higher-education participation rates set to rise to 50%, the migration of students has a major and increasing negative effect on places’ observed levels of self-containment. Completion of their studies then prompts a further round of migration, with its scale depending on the extent to which places with

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universities retain the new graduates and with its long-term impact on the original home area depending not only on this retention rate but also on whether departing graduates return home or move to a third place.  

In the moves to and from university as with other types of migration, there is also a time dimension to consider in assessing the nature and significance of self-containment. This relates to the question as to whether return migration takes place or not, i.e. whether people leaving a place return to it later. There are both conceptual and very real practical issues to tackle in this respect. In the case of migration to and from university that involves people returning to their home area at the end of their studies, how far should this be considered as a reflection on a place’s lack of self-containment? Return migration also occurs in the labour market, and this over time scales that range from just a few months (e.g. for temporary workers or unsuccessful economic migrants) to decades (e.g. for those returning to their home area either in retirement or when choosing to step off the ‘regional escalator’). The key practical issue is the lack of statistically robust data on return migration, as most surveys are cross-sectional, ask only about the last move and rarely allow cross-tabulation with any earlier whereabouts, not even birthplace. Meanwhile, panel surveys with a longitudinal dimension encounter particularly high attrition rates among more frequent movers.

The demographic approach thus involves taking a life-course perspective on people’s residential movements and their impacts on the places involved. As set out by Warnes, the expectation is that the average person in the UK will make 7-8 changes of usual address in their lifetime, many of these coinciding with important transitions between life stage such as leaving home, changing jobs, forming a new relationship, experiencing separation/divorce and adjusting to the departure of children – examples are manifold. Many of these transitions are linked to changes of address for housing reasons, usually involving only short-distance moves and not affecting the overall level of a place’s self-containment. As noted above, however, others – like moves relating to entry to and exit from university and the labour market – may well be over longer distances, as also can be the case for moves by those seeking out a more attractive living environment.

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Finally, while emphasizing that migration is a normal process and acknowledging that researchers are also encouraged to explore reasons why people don’t move (e.g. to detect cases of entrapment and frustrated mobility\(^95\)), it is also important to recognize that a reduction in migration and the raising of places’ self-containment can be a very laudable objective. Indeed, at one level, this may apply to a large proportion of moves, in that arguably many migrants would have preferred to stay in the same place and kept close to family, friends and familiar environment if suitable work, housing, schools, quality of life, etc., had been available locally. There are also more particular cases of ‘forced’ or, at least, ‘reluctant’ migrants. Well documented now is the ‘trailing spouse’ phenomenon, whereby a partner accompanies the main breadwinner who moves to get a (better) job\(^96\). Another growing issue is that of localized ‘population churn’ in areas where more vulnerable people may need to seek accommodation in less attractive areas and view this as a purely temporary measure until such time as their fortunes improve, or may be a type of person who finds it difficult to sustain long-term occupancy of housing and ends up in a vicious circle of frequent moving as they face increasing difficulties in linking up with support agencies.\(^97\)

Whether in some sense natural or forced, the key point from the demographic perspective is that migration and residential mobility constitute life-course events to which some people are much more prone than others. Therefore, in any assessment of economic viability and self-containment but especially in any analysis that compares places on relevant criteria, it is vital to allow for differences in the population make-up of places. While the latter can be diagnostic of past differences in places’ performance, it will also have an important effect on their current and future population growth and patterns of migration linkage with other places.

### 3.15 Global cities and their regional relations

The relationships between global cities and regions within national economies have received attention in recent years. In the UK context, this research has focused upon London’s economic relations with the Greater South East and the UK.\(^98\) Most of this work supports the view that the strength of London’s economy is central to the economic viability of the UK national economy and provides spill-over benefits to the rest of the UK. This is in contrast to the historical view dating back to William Cobbett’s Rural Rides, of the 1830s, that London is the ‘Great Wen’, sucking the life out of areas beyond. The recent major study of social and economic development in London by the Prime Minister’s Strategy Unit,\(^99\) curiously has relatively little to say about London’s relationship with

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surrounding regions. It does, however, cite estimates from the Centre for Business and Economic Research that London ‘supports’ around 4m jobs in the rest of the country, via trade, commuters’ spending and fiscal transfers. Buck et al identify London as a centre for fastest-growing informational, cultural and consumer services. London exhibits urban agglomeration economies which are a source of the kinds of increasing returns envisaged in the new endogenous growth theories discussed above. Several political issues are raised in this work that impinge upon the issues of economic viability and self-containment including, ‘how meaningful is the notion of a collective economic interests; whether in particular instances local integration ensures that gains to key sectors benefit all; and how the priorities of competitive strategies are actually constructed’ (7). Determining London’s boundaries has always been difficult. As Peter Hall put it in the early 1960s:

“London has never taken kindly to attempts at delimitation, whether by people who wanted to govern it, or by those who wanted to fix it statistically; every time this was done, London promptly outgrow its administration or its figures”.

Research on the Western Corridor in 1980s contributed to the sense that London’s economy is being further integrated into a wider spatial economy. Self-containment, even within the London city-region, may thus be reducing. Thus Buck et al argue that:

“New growth areas are linked to London by strong commuting flows and widely-shared economic assets. In technical terms, many of the agglomeration economies arising from the concentration of high-level activities and skills in the metropolis are readily available to businesses across a much broader region. And increasingly, over the past 40 years, the activities and skills of this surrounding region have themselves become major contributors to these agglomeration economies. To focus only on Greater London thus means getting only a partial view of the scale and strength of the metropolitan economy. And it produces a quite biased view of its characteristics, since the people, activities and physical developments that locate in the outer parts of the region are significantly different from those found in London’s centre or its suburbs. In particular, developments that need extensive space are inevitably more likely to be found in the outer rings” (2002: 18).

The London commuter belt is encroaching further into the Greater South East. However, while the spatial scale may be changing, the precise nature of economic relationships is becoming more tangled: “But the complication is that these places are a confusing mixture: they are partly self-contained, partly dormitory towns for London” (2002: 19). The Greater South East, especially it’s nearer parts, “form a confusing half-world, part dependent on London for work, part independent, and with effective boundaries being both fuzzy and fluid” (19).

Buck et al. contend that the Greater South East entity spanning across the South East, Eastern and London regions operates in many ways as a single unit, albeit not one which many people or businesses see as directly relevant to their lives and operations. But it is significant because overlapping of local housing, labour and service markets lead to their effective integration. However, small areas can develop and maintain quite distinct characteristics and roles, all within the context of a wider pan-regional economy. Thus London is part of “a polycentric mega-city region extending over progressively wider areas of South East England” (26). Around the core is a complicated and interconnected series of markets, producers, consumers, firms both large and small, which enjoy special advantages from their co-location within the privileged space that is South East England. This leads to the conclusion that “London is now far bigger than London: it is a region that has no clear boundaries, and in which therefore all attempts to draw such boundaries – the Outer Metropolitan Area, the South East and Eastern England Standard Regions – are arbitrary, perhaps too wide in some senses, too narrow in others” (88).

Others argue that the Greater South East has ‘unmatched agglomerations economies across the region as [a] whole’.103 This reflects London’s own scale, the impact of Green Belt and the radial nature of the transport network. Outer areas now contribute to agglomeration economies. High innovation rates across the south reflect economic activity outside of region’s core. The Greater South East has a ‘highly integrated network of labour markets’. Moreover,

“This is not simply a matter of the ability and preparedness of some members of the service class to commute very long distances, especially into the centre, but of the dense overlapping of the travel-to-work fields even for groups with much restricted commuting ranges. This interlocking structure means that local employment shocks (and equivalent housing market shocks also) diffuse through the region. A consequence is that across all but the very fringes of the GSE, sub-regional variations in economic performance have hardly any impact on local standards of living or employment rate” (2004: 41)."

Gordon concludes that, contrary to the prevailing view that guided the thinking of policy-makers for much of the post-war period, inequalities in London are not the product of economic assets leaking from London, but a function of how the housing market concentrates poorly skilled in certain areas: unemployment in the east worsened as the employment rate improved. Places may therefore be economic viable for some people and social groups but not for others.

The pan-regional development of economic relations, the importance of London’s economic development to the UK national economy and the declining self-containment mean that London and the Greater South East faces a governance problem: ‘In particular there is a gulf here between the scale of territories with which people feel any sense of identification and the much larger scale over which joined-up thinking and action are required on economic and planning issues’ (42). Gordon advocates the creation of a

super-regional prefect whose responsibilities would transcend the boundaries of the
recently established regional institutions, with their division of the former South East
into two regions, in addition to London itself. This idea that the current rather fragmented
governance structure damages economic viability follows the analysis by Cheshire
of the relationship between the growth level of major European cities and the ‘fit’ of
administrative boundaries to their wider regional hinterlands. The recent work on the
role of global cities and their relations to their respective regions emphasises the complex
and tangled nature of relations between economic viability and self-containment for the

3.16 Summary

Our preliminary definitions of the concepts of economic viability and self-containment
noted the importance of the normative and relative senses of economic viability, the
positive relationship between self-containment and higher geographical scales, the
absence of a direct connection between economic viability and a particular geographical
scale and the measurement difficulties. The literature review draws upon numerous
approaches relevant to the examination of the economic viability and self-containment
of geographical economies across a range of spatial scales.

Neo-classical approaches emphasise the importance of the openness of geographical
economies to mobile factors of production and trade for economic growth and viability.
Keynesian views focus upon the importance of increasing returns, externalities and
agglomeration in fuelling cumulative growth and viability, while acknowledging the
need for a degree of self-containment to support local and regional growth processes.
Stages theory emphasises limited self-containment and open, modernised geographical
economies for economic viability. Political economy and spatial division of labour
approaches reveal the importance of the roles places play within wider spatial divisions
do labour in shaping their relative viability and degree of self-containment.

Transition theories emphasise the importance of local economic containment and the
realisation of indigenous potential combined with connections to external networks and
markets. Institutionalist and socio-economic approaches underline the importance of
formal and ‘hard’ as well as informal and ‘soft’ institutions in shaping economic viability
and self-containment in geographical economies at the local and regional scale.
Innovation, learning and knowledge approaches detail the key assets and processes
shaping economic viability in the context of a more knowledge-intensive economy and
emphasise both the need for a degree of self-containment, to embed local innovation
and learning processes, and openness, to connect with global knowledge networks.

New endogenous growth theory echoes Keynesian approaches and elaborates the
centrality of increasing returns, externalities and agglomeration to economic viability and
its underpinning degree of local and regional containment while linking with a national
and international context. Similarly, competitive advantage and clusters emphasise both
local and regional self-containment and global connection as central to economic
viability in geographical economies.
Sustainable development broadens the notions of economic development and viability to include wellbeing and quality of life. The approach seeks more appropriate and sustainable balances between the economic, social and environmental dimensions of economic viability and its geographical self-containment. Sustainability and viability are closely connected and overlap, economically viable places may be considered to be self-sustaining in economic terms. The approaches to the competitiveness of localities, regions and cities emphasise the external connection and relative performance of geographical economies, particularly in the international context. Demographic approaches emphasise the importance of the population structure and dynamics, especially migration and residential mobility, in shaping their economic viability and self-containment. The global cities and their regional relations work, drawing on the experience of London and the Greater South East of England, reveals the complex and tangled nature of the relations and geographical scales of economic viability and self-containment for particular geographical economies.

Each strand of the literature review has informed our understanding and definition of the concepts of economic viability and self-containment and their spatial scales of operation for geographical economies. Determinants of economic viability and self-containment across a range of spatial levels are suggested by each approach. We examine, identify and develop these determinants in the next section.
4. The determinants of economic viability and self-containment for geographical economies

Building upon the themes emerging in the literature review, this section of the report examines, identifies and develops the determinants of economic viability and self-containment for geographical economies across a range of scales. Each determinant is examined in its relationships to economic viability and self-containment and the spatial levels of its operation. The term determinant is used in its broadest sense to imply a ‘driver’ or ‘shaper’ of economic viability and self-containment. As is clear in the discussion that follows, the more formal specification and potential weighting and measurement of some of the determinants is clearly a complex and, given data limitations, potentially impossible task.

4.1 Economic growth

Economic growth in the output of goods and services is a key determinant of economic viability. Quantitatively, how much is produced and how productively determine income and prosperity levels for geographical economies. Productivity is increasingly important in policy debates about territorial competitiveness. Qualitatively, the nature of growth is important too, in terms of its rate, geographical expression, utilisation of inputs and potential sustainability. The type of growth has become increasingly important in the context of research suggesting the need for broader measures of economic, social and environmental progress. Economic growth has private, public and voluntary and community sector sources. Economic growth is manifest unevenly across a range of geographical scales. There is no necessary relationship between the scale of geographical economies and their economic viability and self-containment, although higher spatial scales may be more likely to be self-contained due to the size and breadth of their geographical economies. Economic growth can be measured meaningfully at a range of spatial levels from the world level down to the regional or below (e.g. GDP, GNP, GVA). In terms of geographical scale, the focus in this project is the sub-regional expression of economic growth.

The rate of economic growth is important. If growth is too rapid then economic viability can be threatened. Geographical economies can experience diseconomies and inflation in capital, land, housing and labour markets that may undermine continued economic viability as costs rise and the reproduction and sustainability of growth is questioned.\textsuperscript{109} Too little or slow growth can mean sluggish or unsustainable economic viability. Lack of growth or the contraction and reversal of growth potentially undermine economic viability. Reduced output means reduced income available for wages, suppliers and investment. Achieving sustainable viability may require that economic growth is kept within manageable limits. Economic growth relates to self-containment through the extent to which its sources are internal or external to the geographical economy in question. Wholly self-contained or closed economies depend upon solely internal sources of economic growth generation and circulation.\textsuperscript{110} Conversely, wholly open economies rely upon external sources alone. Depending upon their spatial extent and scale, geographical economies have greater or lesser degrees of self-containment in relation to their sources of economic growth.

4.2 Economic income

Economic income relates to economic viability through the proportion of economic growth that finds its way back into geographical economies. Economic income has a potentially positive relationship to economic viability. The relationship between economic income and self-containment depends upon the degree of openness or closure of the economy and the amount of economic income retained or lost within the geographical economy at whichever spatial scale. As the Keynesian approach suggested, higher levels of economic income support higher levels of disposable income and can generate the multipliers of income-expenditure chains within geographical economies.\textsuperscript{111} High levels of self-containment capture income within geographical economies. Multipliers may also leak through the purchase of non-local goods and services. Similarly, economic income can support higher levels of savings, from which further income can be earned, and investment in economic assets, which can further generate income streams, not all of which may be locally contained.

High incomes may also lead to inflationary pressures, for example in labour and housing markets, and may threaten economic viability. Lower levels of income can undermine economic viability, reducing the generation and flow of wealth within and between geographical economies. Highly self-contained, low income geographical economies may suffer from entrenched disadvantage. Low income levels can be dissipated entirely within open economies. Economic activities can become marginal, few surpluses may be generated for savings or investment. With low income levels, opportunities to increase income may be limited. Geographical economies may reach a position of low income equilibrium, however, where low incomes are matched by low prices in disadvantaged places. How sustainable this form economic viability may be in the longer term and how

\begin{itemize}
\item \textsuperscript{109} Allen, J. et al. (1998) \textit{Rethinking the Region}, Routledge: London.
\item \textsuperscript{110} Maskell, P. et al. (1998) \textit{Competitiveness, Localized Learning and Regional Development}, Routledge: London.
\end{itemize}
policy interventions may shift the position of specific local economies from low to relatively higher states are open questions. Economic income has public, private and informal sources, for example through wages from jobs, savings, the benefits systems and informal economic activity. The geographical scale of economic income generation and circulation depends upon its source, for example a job or savings with a local institution or an insurance policy or pension with a City of London institution.

### 4.3 Investment and economic assets

Investment and economic assets relate to economic viability as the capital stock identified as integral to economic growth in the neo-classical and endogenous growth theories and the Treasury’s ‘drivers’ of productivity. Investment in the creation, sustenance and replenishment of economic assets is fundamental to the economic growth process and the economic sustainability of geographical economies. Economic activities need capital equipment, buildings, transport and ICT infrastructure and investment in skills in order to produce output and improve their productivity. In particular, the ‘connectedness’ or ‘connectivity’ of places – one of ODPM’s ‘drivers’ of urban competitiveness – through transport and communications infrastructure is interpreted as increasingly vital, particularly in its ability to sustain high quality rather than high volume and perhaps unsustainable connections. High levels of investment can enhance and sustain the economic viability of geographical economies. Low levels can fail to renew key economic assets and allow them to fall into disrepair, necessitating further remedial or new investment. High levels of investment in economic assets within highly self-contained geographical economies can reinforce Keynesian and cumulative virtuous cycles of growth and prosperity. Low levels of investment can entrench cycles of decline in self-contained geographical economies. High levels of investment in open economies suggest they are attracting and retaining external sources as well as generating internal forms of investment, further fuelling their growth. For highly self-contained economies investment levels are more dependent upon indigenous sources. Levels of investment are determined by potential rates of economic return in the private sector. In the public sector, investment often relates to the provision of public goods and levels of social need. Investment and economic assets can have public, private and informal sources and ownership. The geographical scale and ownership of investment and economic assets depend upon their source and ownership. Higher levels of self-contained ownership may increase the autonomy and the kind of strategic decision-making functions identified in the political economy approach and ODPM’s ‘drivers’ of urban competitiveness within geographical economies. Higher levels of external ownership may reduce autonomy and generate uncertainty and volatility in spatial economies.

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4.4 People

People are key determinants of both economic viability and self-containment for geographical economies across a range of geographical scales. As the demographic approaches illustrated, the population size, composition, characteristics and dynamics shape potential economic viability. Population describes the potential and available labour force, their age structure and likely demands for public services and potential as markets for goods and services. Large, diverse, healthy and replenished populations may underpin economic viability. Ageing, uniform, unhealthy and declining populations may be a source of economic decline. People's interaction with the housing market is critical too in generating residential sorting mechanisms in the private and social housing sectors. In terms of self-containment, population stocks and flows can illustrate the degree to which particular geographical economies are self-contained – whether they gain, lose or retain people over time. Highly open and high in/outflow geographical economies may be vibrant and dynamic, with high turnover of people. This connects with the 'well connected' component of Odom's Sustainable Communities definition.

Conversely, however, highly open places may also be transient and unstable or volatile. Highly closed and very low in/outflow places may be sluggish and introspective, with limited turnover of people, or stable and resilient. Areas which are more self-contained in terms of residential mobility tend to be less economically dynamic places that are gently ageing and sinking in terms of their contribution to the national economy. Population change links closely to economic viability. Migration flows can indicate the assessments of individuals about the economic viability of geographical economies, for example the likely job prospects in disadvantaged places or housing affordability and availability in prosperous places. People might be expected to stay to live, work, learn and invest in places they perceive to be economically viable. Indeed, this understanding is central to the ‘economics of place’ agenda and the ODPM’s definition of ‘Sustainable Communities’. Minister of Communities and Local Government, David Miliband, has suggested that there is one simple way of measuring a good and sustainable community: “People will want to live there. That’s a measurement we can all make”. Declining places lose people with jobs and higher levels of skills and education. Highly open economies may or may not benefit from the flow of people and ideas. Highly closed places may or may not gain advantages from the lack of flow of people and ideas. People here might not move perhaps as a result of unwillingness or entrapment and frustrated mobility. At the more localised scale, the assets of particular places may

be less important in determining sustainability than they used to be, due to the increasing spatial separation of where people live from where they work.\textsuperscript{118}

### 4.5 Employment structure

Employment structure and labour market dynamics play a central role in determining economic viability and self-containment. This is recognised in the ‘Thriving – with a flourishing and diverse local economy’ component of ODPM’s Sustainable Communities definition and the ‘economic diversity’ driver of urban competitiveness. Quantitatively, the level of employment reflects the number of jobs that economic activity generates within geographical economies. High employment rates signal economic viability, although wage inflation, labour turnover and poaching may also occur. Low employment rates suggest weak economic viability and low levels of job creation accompanying economic activity within the geographical economy. The creation of insufficient or inappropriate jobs may generate unemployment and inactivity in places,\textsuperscript{119} undermining their economic viability and perhaps reinforcing their economic self-containment. Slack labour markets may be the result of particular local circumstance in specific types of places, for example low demand in northern industrial cities and coalfield areas\textsuperscript{120} or the inability of poorly qualified people to compete for the available jobs in more buoyant labour markets.\textsuperscript{121}

Qualitatively, the nature of employment describes the quality of jobs, for example their pay rates, terms and conditions, opportunities for training and career progression and unionisation. Earnings connect directly to the determinant of economic income (see above). High wages often require high productivity and high value-added economic activities to sustain them.\textsuperscript{122} Training relates to skill formation – one of the Treasury’s productivity ‘drivers’ – and the productivity growth to reproduce economic viability. The geographies of labour market dynamics determine the self-containment of geographical economies. The degree of openness or closure and the levels and scales at which commuting patterns emerge are centrally important. Highly open labour markets and spatially extended commuting patterns imply a geographical separation between where people live and work.\textsuperscript{123} The resulting ‘travel to work area’ is typically sub-regional in scale. Highly closed labour markets comprise spatially contained or limited commuting patterns, implying a closer geographical connection between home and employment. Place-based traditions of highly localised job search and employment expectations also influence employment structure.


4.6 Economic structure

Economic structure strongly determines economic viability and self-containment. The size, sectoral composition and dynamics of economic activity shape the economic performance of geographical economies across a range of spatial levels.\(^{124}\) Strong economic viability can be derived from a large presence of activities in growing sectors. Conversely, weak economic viability may result from a dwindling base of activities concentrated in declining sectors. Economic diversification or specialisation in particular clusters of related activities can work to support or inhibit economic viability. Other dimensions of economic structure can be important influences too, for example the firm size and ownership structure, their competitiveness in goods and service markets and their degree of embeddedness or linkage within geographical economies.\(^{125}\) Enterprise – new business establishment and growth – and competition – two of the Treasury’s productivity ‘drivers’ – are other elements of economic structure.

Each of the above factors may shape economic viability. Strong economies may have a mix of firm sizes and ownership structures with market leaders having deep roots in their host geographical economies. Weak economies may be dominated by large, externally-owned firms with limited local attachments. Self-containment can be strongly shaped by economic structure. The balance between indigenous and exogenous ownership and control is central as well as the extent and nature of internal and external economic relations. The geographical scale at which relations operate is important too. Highly self-contained geographical economies are dependent upon the dynamics of their indigenous economic structures. Highly open places are shaped to varying degrees by their external and internal economic contexts whether at the national or international spatial levels.

4.7 Economic roles and functions

The economic role and function of geographical economies refers to the part they play within the broader economy and the associated activities that this requires and sustains. As the spatial division of labour approach suggested, role and function connect directly to economic and employment structures. It is also an ODPM ‘driver’ of urban competitiveness. Role and function are manifest in institutional assets within geographical economies, for example corporate headquarters or R&D centres and centres of political or administrative authority. The nature, value and geographical reach of such assets shape economic viability and self-containment. Strong economic viability may stem from significant decision-making functions concentrated within the geographical economy, for example headquarters, R&D, marketing and other key or strategic business services. Such functions define a specific higher-order role for the geographical economy within the broader economy and are often not readily mobile due to their reliance upon specialised, higher order skills. Decision-making power may extend across national, supra-national and international boundaries, for example through the headquarters or divisional centres within trans-national business organisations. Higher value-added and higher paid jobs may result.


Weak economic viability in places may result from the lack of decision-making roles and functions, and the concentration of more routine functions of service delivery and assembly for example. Such functions are often duplicated elsewhere within organisational hierarchies and the result for such ‘branch plant economies’ is often low value-added, low paid and potentially less sustainable jobs. The lack of higher order functions in these geographical economies means that the key decisions about their future occurs elsewhere, without necessarily taking account of their interests. High degrees of self-containment suggest a degree of autonomy and independence within the broader economy, with little dependence or broader role. High self-containment can mean a level of self-determination within geographical economies whereby influence can be exerted over the economic decisions affecting its economic viability. This may imply a concentration of high level functions albeit for a specific range of economic activities and a spatially delimited area. Low levels of self-containment suggest a finer spatial division of labour and degree of specialisation for the roles of geographical economies within a broader system, for example a suburban hinterland, urban core or agricultural backwater. The type and mix of functions will determine the level of decision-making power and autonomy within the broader economy.

4.8 Innovation, learning and technological change

Innovation and technological change are central elements in economic growth and, as a result, in the economic viability of geographical economies. As we discussed in the literature review, knowledge production is central to innovation and the potential for productivity growth. The capacity of places to adjust and renew their economic activities is shaped by their ability to generate, absorb, learn and diffuse innovation and technology. Innovation is a ‘driver’ of productivity for the Treasury and urban competitiveness for ODPM. Strong economic viability is related to vibrant, innovation-rich places with concentrations of knowledge-producing institutional assets and functions. Sustained prosperity may be conditional upon attracting and retaining incomers with high levels of human capital in the form of qualifications and skills. Weak economic viability suggests an absence of innovation and a lack of appropriate institutions that allow its economic advantages to become outdated and decline. Innovation, learning and technological change are central to self-containment for geographical economies. As the new endogenous growth theories suggest, highly open geographical economies are receptive to externally generated innovation and the knowledge spill-overs that may sustain knock-on advantages for its economic viability, although their scale of localisation is significant. Highly self-contained geographical economies are dependent upon their internal sources of innovation and knowledge, although this does not always preclude external links. This may or may not be positive in its relations to economic viability, for example depending upon its economic structure and functions (see above).


4.9 Place-based

Place-based factors play an important role in determining economic viability and self-containment. ODPM's emergent 'economics of place' agenda recognises this issue in relation to place-based factors making a difference to economic performance and shaping the effectiveness of policy interventions. Place-based factors may include both market and non-market influences upon economic viability and self-containment and their geographical scales of operation. Place-based factors refer to the specific attributes and characteristics of particular places. These can comprise historical legacies, traditions and cultures that have and continue to shape the development trajectories of geographical economies.129 As we discussed in the literature review, social capital is integral and locally specific too, encompassing bonding capital that relates people to their own kind – family, friends, neighbours – and fosters horizontal trust and bridging or linking capital that connects to the wider world of work and civil society and may establish vertical trust.130 Influences can be shaped by the experiences of peer groups, neighbourhoods and inter-generational factors shared in particular places.131 The economic effects of living, learning and working in particular places have a strong bearing upon economic viability and self-containment. Strong economic viability may result from strong local traditions of self-employment and entrepreneurship resulting in high new firm formation rates. Weak economic viability can result from poor educational attainment and limited career aspirations, producing poorly qualified workforces and a 'low' skills equilibrium.132 More disadvantaged groups in some places begin to lose their attachment to the formal labour market and mainstream economy due to limited social networks, particularly encompassing those with jobs.133 The existence of inner city areas with high levels of worklessness adjacent to central areas with vacancies134 shows that in these areas the problem is not simply a lack of jobs.135 In other areas, the lack of accessible jobs is clear, and here high levels of self-containment will relate negatively to economic viability through unemployment and inactivity.136 Low self-containment can be the result of the specific demographic and social structure of particular geographical economies, with young and highly qualified people more willing and able to commute or migrate as part of their labour market trajectory and career development aspirations. This can connect positively to economic viability through renewing the local labour force. Conversely, it may reflect a lack of employment potential and perhaps even a tradition of moving to other areas to work. The particular combinations and interactions

of key determinants in particular places suggest the need for place-sensitive analysis and policy making. This is beginning to be acknowledged in ODPM’s ‘economics of place’ agenda. However, the economic viability and self-containment of geographical economies are rooted within a context of broader processes of economic and social change operating across the range of spatial levels, often at higher levels than the locality or even sub-region.

4.10 Government and governance

The institutions of government and governance play a key role in shaping economic viability and self-containment in geographical economies across a range of spatial scales. Government refers to the direct role of the state, whether at the national, regional or local level. Governance describes the broader role of public and quasi-public bodies and institutions that work within and beyond the state across a range of spatial levels, for example agencies and public-private partnerships. The degree of accountability and political leadership provided by public institutions can also be important. In addition to the role of public investment discussed above, government and governance can influence and support strong economic viability through effective decision-making and administrative structures. Highly accountable, participative and well-led political institutions can galvanise support and encourage participation in economic activities and change. Weak economic viability may be influenced by ineffective, fragmented and inefficient institutional structures that may hamper the growth and development of economic activities. Institutions of government and governance may shape levels of self-containment within geographical economies at a range of spatial levels. For example, national level immigration policy can shape the volume, nature and international scope of migration flows and national macro-economic policy can influence housing market mobility within sub-national, regional and local geographical economies. High self-containment may occur through relatively closed policy and regulatory frameworks that inhibit the mobility of factors of production such as capital and labour. Low self-containment may be encouraged by more open frameworks that promote and encourage mobility and change.

4.11 Summary

Building upon the literature review, our analysis identifies and develops a number of determinants or shapers of economic viability and self-containment for geographical economies. These comprise economic growth, economic income, investment and economic assets, people, employment structure, economic structure, economic roles and functions, innovation, learning and technological change, place-based and government and governance. The operation of each may involve overlaps and articulations between determinants. Causal relationships between individual determinants and economic viability and self-containment can vary. For example, economic growth can both produce economic viability and result from it. Self-containment can result from...
the localisation of income flows and perpetuate this process. More formal modelling of the determinants is therefore complex and constrained by data availability. For example, actions that influence investment and economic assets, such as a public infrastructure project, can have knock-on effects to other determinants of economic viability and self-containment, such as economic growth and income, people and economic structure, roles and functions. The specific extent and nature of such relations and spill-over effects, for example whether they have positive or negative implications for economic viability and self-containment and at which spatial levels, requires closer and more detailed investigation in particular cases.

Crucially, the relations and processes that constitute these determinants can work across and between varieties of geographical scales – international, national, regional, sub-regional, local and even the community and neighbourhood. A ‘variable geometry’ of different determinants may be working at different scales in different places. Identifying the specific causation and explanation requires analysis of particular cases. There is no single geographical scale at which each determinant works to allow more generalised explanation of causation. For example, the sources of economic growth may be rooted in processes working at a range of scales, even if a particular spatial level is more pronounced or dominant in a specific place. The particular combination of determinants shaping the prospects of specific places is highly contingent, although this section has examined how determinants may relate to economic viability and self-containment across geographical scales. It is therefore an empirical question to disentangle how these processes are working out in particular places. Our methodological strategy of marrying aggregate level comparative analysis with more detailed case studies of specific places has explicitly sought to tackle this research challenge.

Table 3.1 summarises the determinants, their relations to economic viability and self-containment, their scales of operation and examples of their evidence base. In the context of ongoing reviews of the appropriateness of local and regional level statistics, we recognise that there is not necessarily a readily available and useable evidence base for some of the key determinants identified in this research. In addition, we see that certain determinants may be relevant at the scales of the individual, household, neighbourhood and community, for example economic income, investment and assets, people, place-based and government and governance. Explaining the geographies of economic viability and self-containment at these spatial levels is beyond the scope of the current project, although we return to the development of our methodological approach at other geographical levels in the conclusions.

Table 1: Determinants of economic viability and self-containment: summary table

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Relation to Economic Viability: factors to measure in an evidence base</th>
<th>Relation to Self-containment: factors to measure in an evidence base</th>
<th>Scale(s) of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment and economic assets</td>
<td>Private and public investment. Creation, upgrading and/or renewal of economic assets.</td>
<td>Internal/external sources and ownership. Infrastructure connectivity.</td>
<td>Localities, sub-regions, regions, national, international.</td>
</tr>
<tr>
<td>Economic roles and functions</td>
<td>Role within broader economy. Strategic and/or decision-making functions. Spatial relations with other places. Institutional assets. Government and governance relations.</td>
<td>Extent and nature of internal and external relations. Degree and nature of self-determination.</td>
<td>Localities, sub-regions, regions, nations.</td>
</tr>
<tr>
<td>Determinant</td>
<td>Relation to Economic Viability: factors to measure in an evidence base</td>
<td>Relation to Self-containment: factors to measure in an evidence base</td>
<td>Scale(s) of Operation</td>
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</tbody>
</table>
5. The methodological framework for the empirical analyses

This section of the report details the methodological framework developed in this project. The literature review (Section 3) and development of the determinants (Section 4) have identified the range of hypothesised determinants of economic viability and self-containment at a range of spatial scales. It was not practicable, within the limited time available to this study, to explore these determinants empirically at scales varying between the nation and the neighbourhood. In fact, considerable extra work would be needed before it could be claimed that the review had isolated the principal determinants or ‘drivers’ at each different scale. Only then would it be possible to move on to build a comprehensive evidence base including robust measures of each driver at the most appropriate scale.\(^{140}\) We focus on the ‘people’ and ‘employment structure’ determinants of economic viability and self-containment due to data availability. Other determinants are constrained by the lack of data, for example the geographical self-containment of financial flows. As agreed at the outset, taking this pilot research methodology forward required that the focus of the empirical work was on a small number of case study areas at the sub-regional TTWA scale.

5.1 Principal scale of analysis

The first key choice in selecting case study areas to research our multi-scalar model concerned the level of geographical economy to focus upon. The rather esoteric nature of many English administrative boundaries means that no set of boundaries in the hierarchy of local and regional authorities provides the basis for a consistent analysis of economic or social phenomena. Even the regional scale – which is the least problematic – is probably unsatisfactory because the current ‘standard’ regions in south east England are boundaries which have little economic or social resonance due to their partitioning of this heavily integrated London-centred part of the country.\(^{141}\)

The analyses centre on the one scale for which the ideas of economic viability and self-containment are not unfamiliar. For several decades what was termed Regional Policy was in practice delivered at the sub-regional scale using Travel-to-Work Areas (TTWAs): the definition\(^{142}\) of TTWAs relied on measures of the self-containment of commuting, and the selection of areas to benefit from Regional Policy was made by identifying the TTWAs which needed most help to achieve economic viability. Whilst the remainder of this report will focus on the TTWA scale, a central tenet of the research has been that any one spatial level of analysis has to be seen within a multi-scale framework of analysis.

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5.2 Case studies and comparators

Although the logic of the research dictated that TTWAs provide the key scale for analysis, this could lead to major problems with data availability. There are relatively few secondary source statistics made available at the TTWA scale, which could limit the analyses to datasets available at the ward scale (as these could then be aggregated up to TTWAs, if time permitted). More critically, the study’s qualitative research engages with key actors in various agencies and authorities which have responsibility for the case study areas, and there are no such bodies which have specific responsibility for TTWAs. The solution was to select case study areas for which an evidence base can be compiled, and in practice this means only considering those TTWAs for which a close approximation can be identified using local authority boundaries. The full criteria used to find case study and comparator areas were as follows:

- it is a single English local authority area
- its boundary maps closely ‘1 for 1’ onto a single TTWA’s boundary
- its boundary remained unchanged during the 1990s
- its 2001 population was between 75,000 and 325,000
- it is not a seaside resort (unless with another major role, like a port).

Applying these criteria, we identified 28 areas which were candidates for being case study areas; one additional area added to the list was Luton TTWA which is matched by the combination of Luton and South Bedfordshire local authority areas. The next step was to choose places that correspond to our ‘ideal types’ of geographical economies across the axes of strong to weak economic viability, and open to closed with respect to self-containment (Figure 5.1). A continuum is evident across each dimension of economic viability and self-containment.

The case studies chosen were: Milton Keynes (strong, open), Luton (weak, open), Darlington (strong, closed) and Hartlepool (weak, closed). Table 5.1 shows some of the evidence justifying the selection of these areas. The areas are compared against the average for the 25 areas not selected. These areas make up the most relevant comparator: to benchmark against the national average would make the analysis reflect in no small degree the experience of London and the other major conurbations which are really not comparable with the medium-size towns featured in the case study areas. Table 5.1 presents first the evidence on the economic viability of areas, reporting the 20 year trend in employment levels in the areas. The weakness of Hartlepool is quite clear, although not so dramatic as the extraordinarily strong growth in Milton Keynes between 1981 and 2001 in full-time equivalent job numbers. Luton and Darlington lie either side of the average of the 25 other areas. Whilst the difference between these two areas’ employment trends is not huge, it is important to look at them in their regional economic context. Given the general economic vitality of south-eastern England where Luton is situated, it is reasonable to view its below average employment trend as evidence of local weakness. Using the same multi-scalar perspective, Darlington’s slightly above average trend can be seen as a strong performance in the context of the overall weakness of the North East in which it is situated.
Table 5.1 also provides evidence on the relative self-containment of the case study areas. To avoid foreshadowing the detailed empirical analyses, the facts presented are more circumstantial but they do address questions of accessibility which certainly shape the self-containment of areas. Not very surprisingly perhaps, the two areas in the north prove to be less accessible than the two southern areas, with smaller differences remaining within each pair of areas. Table 5.2 lists the TTWAs and local authority areas involved in each of the case study areas, and also in the 25 comparator areas, setting them all within the government office region boundaries which form part of the multi-scalar framework for this research. In addition, the two southern case study areas are both part of the recently designated Milton Keynes and South Midlands Growth Area and the pan-regional nature of this initiative can only reduce the extent to which these localities are self-contained in terms of their future economic and physical development.

<table>
<thead>
<tr>
<th>Table 5.1: Evidence for the selection of case study areas</th>
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<tbody>
<tr>
<td><strong>Employment change (FTE) 1981-2001</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Hartlepool</td>
</tr>
<tr>
<td>Darlington</td>
</tr>
<tr>
<td>Luton</td>
</tr>
<tr>
<td>Milton Keynes</td>
</tr>
<tr>
<td>25 comparators</td>
</tr>
</tbody>
</table>

Source: various
<table>
<thead>
<tr>
<th>Region</th>
<th>Local Authority</th>
<th>TTWA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>East</strong></td>
<td><strong>case study</strong> Luton + South Bedfordshire</td>
<td>Luton</td>
</tr>
<tr>
<td>comparator</td>
<td>King’s Lynn &amp; W.Norfolk</td>
<td>King’s Lynn</td>
</tr>
<tr>
<td>comparator</td>
<td>Waveney</td>
<td>Lowestoft &amp; Beccles</td>
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<tr>
<td>comparator</td>
<td>Peterborough</td>
<td>Peterborough</td>
</tr>
<tr>
<td><strong>South East</strong></td>
<td><strong>case study</strong> Milton Keynes</td>
<td><strong>Milton Keynes</strong></td>
</tr>
<tr>
<td>comparator</td>
<td>Ashford</td>
<td>Ashford</td>
</tr>
<tr>
<td>comparator</td>
<td>Basingstoke &amp; Deane</td>
<td>Basingstoke</td>
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<tr>
<td>comparator</td>
<td>Dover</td>
<td>Dover</td>
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<tr>
<td>comparator</td>
<td>Shepway</td>
<td>Folkestone</td>
</tr>
<tr>
<td>comparator</td>
<td>Thanet</td>
<td>Thanet</td>
</tr>
<tr>
<td><strong>North East</strong></td>
<td><strong>case study</strong> Darlington</td>
<td><strong>Darlington</strong></td>
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<tr>
<td><strong>case study</strong></td>
<td>Hartlepool</td>
<td>Hartlepool</td>
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<tr>
<td>comparator</td>
<td>Barrow-in-Furness</td>
<td>Barrow-in-Furness</td>
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<td>Bolton</td>
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<td>comparator</td>
<td>Carlisle</td>
<td>Carlisle</td>
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<tr>
<td>comparator</td>
<td>Lancaster</td>
<td>Lancaster &amp; Morecambe</td>
</tr>
<tr>
<td>comparator</td>
<td>Pendle</td>
<td>Nelson &amp; Colne</td>
</tr>
<tr>
<td>comparator</td>
<td>Rochdale</td>
<td>Rochdale</td>
</tr>
<tr>
<td><strong>South West</strong></td>
<td>comparator Taunton Deane</td>
<td>Taunton</td>
</tr>
<tr>
<td>comparator</td>
<td>West Wiltshire</td>
<td>Trowbridge &amp; Warminster</td>
</tr>
<tr>
<td>comparator</td>
<td>South Somerset</td>
<td>Yeovil</td>
</tr>
<tr>
<td><strong>West Midland</strong></td>
<td>comparator Wyre Forest</td>
<td>Kidderminster</td>
</tr>
<tr>
<td>comparator</td>
<td>Rugby</td>
<td>Rugby</td>
</tr>
<tr>
<td>comparator</td>
<td>Stafford</td>
<td>Stafford</td>
</tr>
<tr>
<td><strong>Yorkshire and the Humber</strong></td>
<td>comparator Barnsley</td>
<td>Barnsley</td>
</tr>
<tr>
<td>comparator</td>
<td>Calderdale</td>
<td>Calderdale</td>
</tr>
<tr>
<td>comparator</td>
<td>Doncaster</td>
<td>Doncaster</td>
</tr>
<tr>
<td>comparator</td>
<td>Harrogate</td>
<td>Harrogate &amp; Ripon</td>
</tr>
</tbody>
</table>

Source: Various
5.3 Case study areas and administrative hierarchies

Maps 5.1 and 5.2 portray the administrative boundaries in and around the four case study areas. Looking first at the TTWAs – shown as shaded areas – it is clear that the two northern TTWAs are distinctly smaller than the two southern ones. This is a reflection of the higher proportion of people in the south who commute longer distances, and reinforces the view that the two northern areas are the more self-contained (or ‘closed’). It is also readily seen that each of the two northern TTWA boundaries matches closely to single local authority area: in fact in Hartlepool’s case the match is exact. By contrast, the TTWA centred on Milton Keynes embraces quite sizeable areas beyond the city boundary, whilst the Luton TTWA not only includes almost all South Bedfordshire (including Dunstable which is built on to Luton) but also parts of adjacent districts too. Another way of looking at this information is to recognise that the territories covered by the two southern case study unitary local authorities – especially Luton – are bounded rather tightly relative to higher level of longer distance commuting in these areas. The result is that the LA areas have low self-containment levels which led to the TTWAs having to include other areas in order to reach the minimum levels of commuting self-containment which are required of TTWA boundaries. The local authorities in the two southern areas are much more likely to need to work with other authorities to tackle economic development challenges because the areas they cover are more integrated with their surrounding areas than are the two northern case study areas.

Economic viability in Milton Keynes and Luton/South Bedfordshire depends upon much wider spatial areas than Darlington and Hartlepool. The geographical scale at which the determinants of economic viability and self-containment are working the 4 different case study areas is likely to differ as a result. This reinforces the value of our methodological approach in linking aggregate scale analysis of the evidence base with deeper and more detailed empirical analysis of how the determinants are playing out in particular places. The next section presents the comparative analysis of the case study areas.
Map 5.1: Darlington and Hartlepool in the North East of England

Legend
- Government Office Regions
- Counties / Unitaries
- Shire Districts
- Hartlepool TTWA
- Darlington TTWA
- Large urban areas

Source: Various
Map 5.2: Milton Keynes in the South East region and Luton and South Bedfordshire in the East of England region

Source: Various
6. Comparative analysis of case study areas

This section develops a quantitative approach to analysing the ‘people’ and ‘employment structure’ determinants of the economic viability and self-containment of geographical economies, with an explicit focus on the sub-regional scale of TTWAs where the distributions of people and employment come together through local labour and housing markets. The results presented give a comparative analysis of demographic, migration and commuting indicators related to viability and self-containment in the 4 case studies, benchmarking them against the 25 comparator areas identified in our methodological framework above.

6.1 Basic demographic profile

The two key demographic factors in the sustainability of a place are the level of natural change – the extent to which the local population is reproducing itself indigenously – and net migration. Table 6.1 shows first that in none of the case study areas do students make up a higher share of the population than they do in the comparator areas (and the share there is very much lower than that in most large cities). No case study area houses a major university attracting many students from distant areas. The consequence is that they are not prone to the lowered level of migration self-containment which students bring, along with the substantial impacts on the local economy and the potential boost to its future viability of this talent inflow which might just be ‘captured’ through student retention.

Table 6.1 then presents a range of different socio-demographic indicators which all show a contrast between the two southern case study areas – Luton and Milton Keynes – as against the two in the North East region – Darlington and Hartlepool. The second indicator shows one consequence of the long-standing divergence within England in flows of migration from abroad, with the southern areas having many more residents who were born outside the EU. The diversity of Luton especially is reflected in its population structure. The third indicator is picking up one effect of Britain’s move towards a more secular or free-thinking society, because it is more ‘traditional’ areas where few people took the opportunity offered by the Census to explicitly state that they do not have religious beliefs. Across the country as a whole, this indicator gives higher values in areas with more highly qualified people. The next two variables measure areas’ occupational structure and qualification levels, providing two further examples of a recurring contrast within the case study areas which sees Hartlepool at one extreme and Milton Keynes at the other.

The final three variables show the cumulative effect of the contrasts between northern and southern areas in terms of economic viability. First there is the basic demographic feature of the areas’ age structures, with the southern areas’ long-term exposure to in-migration leading to an age profile in which many people are of working age. The northern areas’ age structure thus leads to a higher proportion of the population being dependent on those of working age but, as the next variable shows it is also the case that fewer working age people are in full-time equivalent work in the northern areas. The inevitable consequence, shown as the last indicator here, is the gradient in the benefit receipt indicator which
dramatises the contrast in economic viability between Hartlepool's problematic level and the situation in Milton Keynes where there is evidence of a strong growth dynamic.

<table>
<thead>
<tr>
<th>[bold = higher than 25 comparators]</th>
<th>Hartlepool</th>
<th>Darlington</th>
<th>Luton</th>
<th>Milton Keynes</th>
<th>Comparators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>% 2001 residents that:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students away from home</td>
<td>0.6</td>
<td>0.9</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>born outside EU</td>
<td>1.2</td>
<td>2.1</td>
<td>10.3</td>
<td>7.3</td>
<td>3.5</td>
</tr>
<tr>
<td>have no religion</td>
<td>9.4</td>
<td>11.4</td>
<td>15.3</td>
<td>21.6</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>% 2001 residents 16-74 that:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in high-skill occupations</td>
<td>10.1</td>
<td>15.6</td>
<td>20.3</td>
<td>26.5</td>
<td>15.9</td>
</tr>
<tr>
<td>without qualifications</td>
<td>39.2</td>
<td>32.0</td>
<td>29.3</td>
<td>24.4</td>
<td>31.6</td>
</tr>
<tr>
<td><strong>% 2001 residents that:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>working age</td>
<td>62.0</td>
<td>62.7</td>
<td>64.5</td>
<td>66.8</td>
<td>62.6</td>
</tr>
<tr>
<td><strong>% 2001 residents 16-74 that:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employed (FTE)</td>
<td>44.7</td>
<td>52.3</td>
<td>56.7</td>
<td>63.4</td>
<td>53.4</td>
</tr>
<tr>
<td><strong>% 2003 working age residents that:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claiming key benefits</td>
<td>23.0</td>
<td>18.1</td>
<td>12.1</td>
<td>10.8</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: Various

Figure 6.1 plots the situation in the case study areas against that in comparator areas with respect to two basic background population features. On the X axis (the horizontal dimension) the graph uses the 2004 Index of Multiple Deprivation (IMD) value to show, as it might be expressed, the extent to which an area is suffering the legacy of a lack of economic vitality in the past. On the Y axis (the vertical), each areas’ proportion of non-White residents is shown; this measure can be seen to reflect one aspect of an area’s relative self-containment over recent decades. Thus it can be seen that the two southern case study areas have lower levels of deprivation and higher levels of ethnic diversity than the two northern ones. It is also clear that the Luton and Milton Keynes are more ethnically diverse than almost all the comparator areas with relatively low levels of deprivation, while Hartlepool and Darlington are less diverse than many of the comparator areas with higher levels of deprivation. In other words, Darlington and Hartlepool appear to be more self-contained than most areas with similarly low levels of economic viability. In the same way, Milton Keynes and Luton both appear to be less self-contained than most areas where economic viability is at their high level.
6.2 Migration to and from the case study areas

One of the most crucial forms of self-containment relates to the flow of migrants. Key factors which sustain high levels of self-containment are the fixity of housing and the relative inertia of people (which some research indicates has grown with increasing home ownership rates and also perhaps the increasing prevalence of dual earner couples). Clearly patterns of migration can be very indicative of areas’ broader well-being since they often reflect not only local economic vitality but also certain quality of life issues – associated with sustainability – as well as more basic demographic factors.143 There are usually positive correlations, not only between in-migration rates and out-migration rates, but also between both of these and levels of net-migration144 and with many key indicators of economic growth. Lower levels of self-containment in migration flows have tended to be associated with higher levels of economic vitality.145

---

Table 6.2 contains data for a selected set of demographic indicators covering the case study areas. The first two indicators report on the 1990s when Milton Keynes was still growing strongly, not only as a ‘new town’ which attracted net in-migration but also through natural change, the latter no doubt linked to the youthful age profile of many in-migrants to the area. Luton had a high natural change factor too, in its case more due to the ethnic profile of past migration. So far as viability of a population is associated with a balanced profile, all the four case study areas may be showing signs of reduced viability. Both the southern areas had attracted many younger migrants and, together with the high birth rates which followed, this has led to an unusually young age profile. The third indicator in the table shows that Milton Keynes continued to see net in-migration in 2000-1 from the rest of the country, whereas Luton continues to be similar to the northern areas in having a net out-migration balance. The consequences for areas’ economic viability depend strongly on how selective this process is: for example, has Luton predominantly lost its better-qualified middle-aged residents whilst there has been an inflow of less skilled people? Hartlepool has for a long time been one of the northern areas which supplied younger migrants to the south, although there is a substantial and growing number of the less skilled who stay but do not find a way to contribute to the economic viability of the area.

Table 6.2 also presents indicators which draw attention to differences in area self-containment in relation to migration. The fourth indicator reveals that Hartlepool is the outlier case, with a much higher level of self-containment due to under 2% of residents having arrived from elsewhere in the UK over the twelve months before the Census was taken. This is equally true of the following indicator, with barely 1 in 5000 (0.2%) of Hartlepool residents having moved there from abroad during the 2000-1 period. Finally there are two indicators which report data for the two post Census years. It is not strictly correct to compare analyses using this dataset with those using Census data because the two sources have very different collection methods.

<table>
<thead>
<tr>
<th>Table 6.2: Demographic indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>[bold = higher than 25 comparators]</td>
</tr>
<tr>
<td>Population change 1991-2001</td>
</tr>
<tr>
<td>% change from natural change</td>
</tr>
<tr>
<td>% change from migration</td>
</tr>
<tr>
<td>Migration 2000-2001</td>
</tr>
<tr>
<td>% change from migration within UK</td>
</tr>
<tr>
<td>in-migrants from UK as % residents</td>
</tr>
<tr>
<td>non-UK in-migrants as % residents</td>
</tr>
<tr>
<td>Net migration 2001-3</td>
</tr>
<tr>
<td>% change from migration within UK</td>
</tr>
<tr>
<td>% change from non-UK migration</td>
</tr>
</tbody>
</table>

Source: Various
Figure 6.2 summarises the change in self-containment of migration flows in each case study area. The measures used here focus exclusively on those people who changed address during the 12 month period prior to the Census in each of the last 3 decades. The value reported on the horizontal axis takes the number of people who moved out of an address in the area but moved into another in the same area, and then divided this by the total number of people who moved into addresses in that area. For example, of all the people who moved into Hartlepool’s housing stock in 2001, what percentage had been living somewhere else in Hartlepool in 2000? The vertical axis, on the other hand, expresses the same number of local moving ‘contained migrants’ as a percentage of all those who had moved out of an address in that area. Detailed examination of the trends shows that the northern case study areas shifted towards net in-migration – ie. above the diagonal – from 1980/1 to 1990/1 and have slipped back since (whereas the two southern areas had the opposite trend leading up to 1990/1): this pattern needs to be read with caution because the 1990/1 data reflects something of ‘one off’ situation in which the house price crash in the south east led to the temporary reversal of Britain’s north-to-south drift of population.

Hartlepool clearly has the most self-contained housing market. This is also to say that Hartlepool is the most isolated of the case study areas, in terms of flows of people into or out of other areas. Not surprisingly, Milton Keynes has the lowest value on the demand-side self-containment measure which reflects the proportion of in-moving people to this growing area. More surprisingly, the extent to which Milton Keynes is an ‘outlier’ in this way has declined very dramatically over the decades, so much so that in terms of supply-side self-containment it is Luton which now has the lowest value. The fact that all 4 areas now lie fairly close to the diagonal line means that they are not experiencing very strong net migration gains or losses; even so, it should be remembered that the Census data only reports on moves which are from or to parts of this country. Luton was shown earlier (Table 6.2) to have a steady net inflow of migrants from abroad, so the area may well be a net gainer from migration if all types of flow were taken into account. More hypothetically, the net out-migration of the previously established residents whose moves are measured by the Census data could well be associated with the net inflow from abroad, just as it tends to be in other ‘gateway’ cities for immigration into the more affluent countries of the world. Put more simply, the presence within Luton of one of London’s airports is likely to play a part in the town’s relatively low level of self-containment for all migration flows.
6.3 Local employment opportunities and self-containment

Perhaps the most familiar use of the term self-containment is in labour market analysis and, more specifically, in defining Travel-to-Work Areas (TTWAs). TTWAs have to meet a set minimum level of self-containment in relation to the local patterns of commuting (as measured by the most recent Census data). The precise requirement in fact has two aspects:

- demand-side self-containment: % all working in area X who also live in area X
- supply-side self-containment: % workers living in area X who work in area X

and both these aspects are relevant ways to measure the extent to which any area is sustaining its economic viability without depending so intensively upon other areas.
Just as countries are becoming more inter-connected through the processes summarised by the concept of globalisation, so people's increasing mobility over recent decades has led to increased levels of longer-distance commuting and thereby a reduction in the self-containment levels of local labour markets. This process can be illustrated by many coalfield areas where in previous decades the local industries had provided substantial numbers of local jobs suited to the skills of the local workforce, but the recent loss of these jobs has led to out-commuting increasing substantially. At the same time, there would be relatively little reason for in-commuting to the area to have increased. What this means for the analysis here is that such an area would have seen its supply-side self-containment decline, while over the same period the demand-side self-containment might be little changed.

Map 6.1 shows the relative decline in supply-side self-containment between 1991 and 2001 for all TTWAs in England: the 4 case study areas are each outlined with a heavy black boundary so that they can be compared with neighbouring TTWAs, it is very notable that all the TTWAs in and around London have seen little reduction in their supply-side self-containment levels. This is because supply-side reductions result from increased out-commuting: London has not experienced this because large cities tend not to be where people live if they have jobs elsewhere, whilst TTWAs in the Home Counties already had high levels of out-commuting in 1991 and this has not increased greatly since then. In fact it is smaller and less metropolitan towns which have tended to see the greatest decline in supply-side self-containment values over the 1990s and Darlington is the case study area which comes closest to falling into this category.

Map 6.2 shows the equivalent values for the demand-side of TTWAs. The key cause of a faster decline in demand-side self-containment is an escalating level of in-commuting to the area. Once again it is the areas away from larger population centres which saw most of the more rapid declines, but economic conditions also played a part because areas like west Cumbria or most of Humberside which did not see economic growth did not draw in large numbers of new in-commuters as a result. The steadily growing Darlington economy stands out among the case study areas as having the fastest decline in its demand-side self-containment levels during the 1990s.

Reduction in supply-side

- Very high
- High
- Medium
- Low
- Very low

Source:
Map 6.2: Demand-side self-containment reduction 1991-2001 in TTWAs

Source:

Figure 6.3 plots the demand- and supply-side self-containment values for each case study area – and for the average of the 25 comparator areas – from the last three Census commuting datasets. The five points in the upper right of the graph show the 1981 situation of each area: because self-containment values tend to decline over time, due to increased personal mobility, the values for each area have drifted downward and to the left in most cases. This tendency is vividly shown by the average value for the 25 comparator areas.
Of the four case study areas, only Darlington is above the diagonal according to the 1981 data. This shows that it was the only case study area at that time to be a net importer of commuters (i.e. more people were commuting to it than commute away from it, producing a lower demand-side self-containment value than supply-side value). Hartlepool was almost balanced in commuting flows, so its two values are very similar and it appears only just below the diagonal. Both the two southern areas were clearly net out-commuting areas according to the 1981 data, as shown by them being noticeably below the diagonal.

During the 1980s there was substantial growth in longer-distance commuting, and this was exacerbated so far as these analyses are concerned by declining numbers of the traditional manual jobs which were often taken by people living in nearby areas. Of course other changes occurred too; including widespread growth in part-time working which is characterised by short journeys to work, but the overall trend was for a higher proportion of people to commute rather further so areas’ self-containment levels tended to fall. The graph shows that this experience was common to all the four areas (nb. the ‘middle’ marker on each line represents its 1991 values). For three of the four case study areas both demand- and supply-side values declined similarly, with the result
that Darlington remains a net in-commuter area while Hartlepool and Luton both remained net exporters of labour (as shown by staying below the diagonal).

The exceptional case in the 1980s was Milton Keynes where extraordinarily strong growth in employment out-stripped the new city’s growth in its resident labour-force so that it crossed the diagonal on the graph due to it having become a net in-commuter area. This outcome was produced by its rapid decline in demand-side self-containment due to escalating flows of commuters from elsewhere, together with its nearly static supply-side value (which is the result of local people having so many new jobs in the area that there are few reasons to start travelling further afield).

Compared to the similar 1980s trends in the four areas, the 1990s changes are notably diverse. Darlington continued with its 1980s pattern of change, albeit at a slightly more modest pace, and this accords well with its trend towards steadily increasing prosperity. In a parallel way, the economic doldrums suffered by Hartlepool and Luton are reflected in their rather static values on the graph. In fact Luton saw its demand-side self-containment rise, probably due to falling in-commuter numbers due to the Vauxhall factory closure in the late 1990s. Milton Keynes turns out to be the ‘outlier’ case in the 1990s too. The noticeable 1991-2001 change is the unusual increase in its supply-side self-containment value; the explanation may lie in its maturing new town status which means that in-migration has slowed and, over time, this may have allowed more families to find suitable local jobs for all members (whereas new in-migrant families often included at least one member who continued to commute to a job nearer the previous home).

The above commentary has tended to use economic viability as the way to explain the self-containment data. This seems to make sense so far as commuting goes, but for some of the determinants which are in the discussion in Section 2 any causality between the two key concepts for the project may well be the other way round, and for still more determinants the relationship between the two concepts remains very much open to question. For public sector financial flows, for example, the notion of economic viability could emphasise non-dependence on transfer payments, such as benefit payments to individuals or subsidies to local authorities. In that context, higher self-containment levels will characterise areas which are neither major subsidisers of other areas nor are major beneficiaries of such subsidies, whereas low self-containment values could reflect a major inflow or outflow.

This section of the report has presented comparative analysis of economic viability and self-containment for the case study geographical economies. These findings have provided a back-drop to the in-depth analysis of the particular local situations in Darlington, Hartlepool, Luton and Milton Keynes where the relationships between determinants and these measures outcomes of viability and self-containment are explored in the next section of the report.
7. The case studies: an in-depth analysis

This section provides an in-depth analysis of the economic viability and self-containment of the geographical economies of our case studies. Outline socio-economic profiles were provided in the previous section, including some material which situated them within their regional contexts. The concepts of economic viability and self-containment of geographical economies are now critically evaluated in the light of evidence from the case studies. An analysis is then provided of the determinants of economic viability and self-containment and their geographical scales of operation drawing upon the experiences in the case studies.

This section of the report is based on in-depth fieldwork. The aim was to get a local picture and analysis to complement and deepen our understanding and explanation of what shapes economic viability and self-containment and their geographies in the case study areas. The fieldwork comprised two elements. First, secondary information sources were gathered and analysed (e.g. local authority economic development strategies, regeneration strategies). Second, interviews were undertaken with key institutions to provide a ‘local’ view of the issues of economic viability and self-containment and their geographies to supplement the data analysis in the project. The fieldwork interviews for the project were undertaken with representatives from the key institutions identified in each of the case study areas (Table 7.1). The final list of participating organisations is in Appendix 1.

### Table 7.1: Interview subjects

<table>
<thead>
<tr>
<th>Institution</th>
<th>Darlington</th>
<th>Hartlepool</th>
<th>Luton</th>
<th>Milton Keynes</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO</td>
<td>GONE</td>
<td>East of England</td>
<td>South East</td>
<td></td>
</tr>
<tr>
<td>RDA</td>
<td>ONE North East</td>
<td>EEDA</td>
<td>SEEDA</td>
<td></td>
</tr>
<tr>
<td>Regional Chamber</td>
<td>North East Assembly</td>
<td>East of England</td>
<td>South East</td>
<td></td>
</tr>
<tr>
<td>Regional Observatory</td>
<td>North East Regional Information Partnership</td>
<td>East of England Regional Observatory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-regional partnership</td>
<td>Tees Valley Joint Strategy Unit</td>
<td>Luton and South Bedfordshire</td>
<td>Sustainable Communities Growth Area Secretariat</td>
<td></td>
</tr>
<tr>
<td>Local authority</td>
<td>Darlington</td>
<td>Hartlepool</td>
<td>Luton, South Bedfordshire, Dunstable</td>
<td>Milton Keynes</td>
</tr>
<tr>
<td>LLSC</td>
<td>Tees Valley</td>
<td>Bedfordshire and Luton LSC</td>
<td>Milton Keynes, Oxfordshire and Buckinghamshire LSC</td>
<td></td>
</tr>
<tr>
<td>LSPs/Regeneration partnership</td>
<td>Darlington Partnership</td>
<td>Hartlepool Partnership</td>
<td>Luton Forum</td>
<td>Milton Keynes Partnership</td>
</tr>
<tr>
<td></td>
<td>Hartlepool Partnership</td>
<td>Tees Valley Urban Regeneration Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University research centre</td>
<td>Durham/Teesside Universities</td>
<td>University of Luton</td>
<td>De Montford Open University</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ research
7.1 Understanding the economic viability and self-containment of geographical economies on the ground

Analysis of our case study evidence reveals that the concepts of the economic viability and self-containment of geographical economies are not common currency nor do they have generally agreed understandings and definitions. Institutions often struggled to identify and articulate what they defined and meant by economic viability and self-containment when discussing local and sub-regional economies. Moreover, the concepts are not present or visible in the language of local and regional economic development or regeneration policy. Measurement, indicators and available data sources also depended upon specific definitions of the concepts.

The economic viability of geographical economies was variously defined as:

“the long term ability of the economy to grow...creating enough wealth for the population” (Darlington Borough Council, Authors’ Interview, 2005).

“...contribution to GVA, participation in employment and ability of an area to move forward without significant public sector investment” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005).

“...an area capable of generating sufficient growth to sustain that area” (Hartlepool Borough Council, Authors’ Interview, 2005).

“...sustainable economies, that is an economy for a given geographical space which appeared to be durable, robust, over a long period...” (Economic Development and Planning Consultant, Milton Keynes, Authors’ Interview, 2005).

“...in terms of the local economy...the ability to sustain itself in terms of its own generation of jobs and activities...an economy that can meet its own buyer-supplier needs and look to the outside world as a player rather than a supplicant and can also meet the needs of its local population...both self-sustaining and self-renewing...” (Milton Keynes Partnership, Authors’ Interview, 2005).

These understandings resonated with our earlier working definition of economic viability: a geographical economy – a place understood at a particular spatial level – capable of maintaining economic life and able to exist within a particular context. The findings emphasised the capability of local and regional economies to grow, generate and sustain sufficient economic activities and jobs for its local population. The need to be self-renewing and not reliant upon public sector investment was also seen as important. Economic viability was linked to ‘areas’ but these were at the local or sub-regional scales, perhaps reflecting the scope of the participating institutions and scale of the case study areas.

The self-containment of geographical economies was defined as:

“local people able to work in the locality...not acting as a dormitory town and that adequate economic activity is generated within the area” (Darlington Borough Council, Authors’ Interview, 2005).
“...the ability of a town to deliver the services and economy it requires...” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005).

“...being able to do everything you want to do within your own area without reliance on anything from outside...where supply meets demand...where you can get everything from your own surroundings and don’t need to go anywhere else...” (Hartlepool Borough Council, Authors’ Interview, 2005).

“...the ability of the locality to meet the requirements of its population in terms of employment, retail, leisure, housing, public services with the minimum of travel...” (Luton Borough Council, Authors’ Interview, 2005).

“...sustaining the worker, job, house balance...a place where at least 60% of the working population are employed and living in that given place and sourcing their needs locally” (Economic Development and Planning Consultant, Milton Keynes, Authors’ Interview, 2005).

“...the citizens of the place can find within the place the vast majority of what they need for day-to-day existence...a place of live, work and play” (Milton Keynes Partnership, Authors’ Interview, 2005).

Such views enriched and developed our preliminary and working understanding of self-containment where a particular mix of economic activities cohere and integrate at a specific geographical scale, for example a region or locality. The findings emphasised the often local balance between jobs, housing, infrastructure and services to allow needs to be met in place without necessarily requiring travel.

As we suggested in the conceptual discussion at the outset, evidence from the case studies reveals that in the current context high levels of economic self-containment are unlikely particularly at lower spatial levels. Self-containment was falling as economies were opening up, whether through the geographical evolution of labour and housing markets or through more rapid periods of adjustment and change, for example following the loss of local economic assets or jobs encouraging wider job search and commuting geographies supported by rising levels of car ownership. An example is Luton’s response to the Vauxhall car factory closure and its geographically broader TTWA (Map 5.2).

Medium-sized towns typically rely on linkages to other places, whether they are towns or larger cities. The pattern of linkages for different places varied in its geographical reach, nature and connection to economic viability. The spatial hierarchy of higher level functions concentrated in larger urban centres is also visible in its influences upon economic viability and self-containment and their spatial scales of operation. For example, Darlington relies on linkages to Newcastle, Leeds and York. Hartlepool’s links are with Middlesbrough, Sunderland and Newcastle especially for employment, shopping and leisure. More peripheral places, however, could underpin perceive and/or experience heightened self-containment through an actual and symbolic feeling of separation from outside.
The case study evidence suggests that for the inter-relationships between economic viability and self-containment of geographical economies suggested the causality could potentially run in either direction. Economic viability could be a cause of self-containment. At the local scale, a prosperous local economy may generate sufficient jobs and wealth to support the livelihoods and services for its local population. Conversely, self-containment could be a cause of economic viability. Local jobs and income may be geographically contained and supportive of the local economy. It may signal that a local economy is competitive and able to attract and retain investment and employment. For example, the promotion of Darlington to attract economic activities is attempting to promote a vision of a self-contained place that is economically viable. Here self-containment is being seen as a means to economic viability. The relationship between economic viability and self-containment is dynamic, however, where economies can ‘hold their own’ for specific periods of time but this can be disturbed, for example by a failure to upgrade skills levels and a rise in in-commuting, and the economic viability and self-containment balance can be disrupted.

The findings reveal that the relationship between economic unviability and self-containment was similarly indeterminate. If a geographical economy was not economically viable then it might need to develop relationships and linkages with other places, lessening its level of self-containment. In a specific sense, for example, it was argued that Darlington was “not viable as it is not able to employ all of its citizens in work they want in the place they live” (Darlington Borough Council, Authors’ Interview, 2005). Indeed, too high a degree of self-containment was interpreted as a potentially limiting factor on economic viability. For the Borough Council, “nobody comes to Hartlepool unless they need to...we don’t have passing trade and so it can only be economically viable if we look out” (Authors’ Interview, 2005). An open geographical economy that was economically unviable perhaps suffers from too low a degree of self-containment and leakage of economic benefits from investment and employment. The geographical scale at which such relationships evolved was not necessarily determinant. Economic unviability and self-containment did not coincide at just one specific spatial scale.

Several further themes emerged from the case study evidence that relate to the concepts of economic viability and self-containment for geographical economies. First, the long-term was seen as critical, especially for strategy and policy interventions seeking to influence the course of local and sub-regional economic development. Indeed, the long-term search for economic viability was often conflated with the future economic sustainability of places. Short-term approaches were deemed as acceptable only in terms of capturing available gains for the local economy and closing the gap in its performance with the national average. The long-term approach to economic viability was especially evident in Milton Keynes and in its emergent relationship to the Milton Keynes and South Midlands Growth Area. The Milton Keynes Economy and Learning Partnership has a 30-year vision statement. Similarly, Luton was considered “potentially” economically viable “but not at the moment” reflecting the long-term nature of its economic development challenges (Borough Council, Authors’ Interview, 2005).
Second, the geographical scale of economic viability and self-containment for geographical economies was important. In an open economy like the UK, the national and international levels are seen as critical for many of the determinants or ‘drivers’ of economic viability. Drivers of self-containment were interpreted as sub-national, regional and even sub-regional in scale. For one Economic Development and Planning Consultant working on Milton Keynes:

“…I don’t think the concept of economic viability is a valid concept at the scale smaller than the sub-region. And that’s to do with the geography of England. The tightness of our space and proximity of our settlements one to another…means that it is very likely that the local economies are not confined to any one town or village but will be inextricably interwoven with adjacent ones, connected ones, proximate ones, sometimes in a very complementary manner” (Authors’ Interview, 2005).

However, across the case studies the evidence was more mixed and suggests there was no fixed scale at which the relationships between economic viability and self-containment were necessarily fixed. It appeared to depend upon which determinant was considered and even then these often varied across a range of spatial levels. For example, the sub-regional scale emerged as a key geographical level for economic viability since it could potentially contain the range of economic activities and services to support its resident population. However, the picture was mixed with the acknowledgement that all areas contained economically viable and unviable places. The spatial level of analysis was therefore important. Indeed, our TTWA scale of inquiry no doubt influenced the findings. In prosperous regional contexts, growing places were also looking to ‘think bigger’ at higher spatial scales, for example both Milton Keynes and Luton within the Milton Keynes and South Midlands Growth Area. Differences in economic viability and self-containment often sharpened at lower spatial levels. For example, at the Darlington scale the place appears economically viable and self-contained. Yet this masks a local level split between the more prosperous West End that is outward looking and travels for jobs and leisure and the disadvantaged East End that is more Darlington-focused for work, living and leisure. In Milton Keynes too, the centre is not considered economically viable since too few people live to sustain consumer demand for its central facilities. Neighbourhood scale facilities are missing.

Third, the nature and scale of the economic context of a geographical economy is central to determining its economic viability and self-containment. Key questions include where and what kind of place(s) does the place connect and relate to? How is the place situated within the geographical economy at higher spatial levels? Is the place the ‘right’ size for its region to support prosperity and wellbeing? Context plays an integral role in shaping the economic viability of places. Economic context was clearly manifest in the nature of relationships between places and across geographical scales. Luton, for example, wrestles with its position as a dormitory town for London and struggles to provide housing land to support this role as well as employment land to provide local jobs. The East of England region scale is of relatively limited influence given London’s proximity and size. Milton Keynes is seeking a role in the shadow of London and Birmingham but drawing activity and people from broader West Midlands region. Indeed, the vision is to “transform Milton Keynes from a new town to an international city. A city that will be amongst the foremost in the UK, while retaining its unique
position as the first planned city in the United Kingdom". International focus has replaced self-containment supported by the Sustainable Communities Growth Area infrastructure investment in Milton Keynes and South Midlands.

Finally, the concept of self-containment triggered negative responses and perceptions. Changes appear to have occurred from the more positive notions of self-containment from the recent past where people lived and worked in more geographically contained places and where, perhaps, they were more comfortable with that situation. In the current internationalised or global context, institutions in places were often unwilling to admit to being self-contained. It was felt to imply that they were somehow cut off from the mainstream, reliant or dependent upon particular employers or sectors and even backward looking, culturally blinkered and unreceptive to innovation and new ideas. This negative perception was especially evident in terms of transport and telecommunications infrastructure and their central place in business and economic development strategies for places. Darlington, for example, disputed our characterisation of it as an economically viable and relatively self-contained economy, claiming that its local infrastructure was “second to none nationally” (Darlington LSP, July 2005) based upon its proximity to the A1, Teesside International Airport (to be re-branded Durham Tees Valley Airport) and the East Coast mainline.

7.2 The determinants of economic viability and self-containment in the case studies

7.2.1 ECONOMIC GROWTH AND ECONOMIC INCOME

Economic growth and economic income were confirmed as fundamental elements in determining economic viability and self-containment for the geographical economies of our case studies. At whichever geographical scale, economic growth and income shape the relative prosperity and wealth of places. Absolute levels of growth and income are clearly important. Economic context is important as a support, providing economic buoyancy, or as a constraint, limiting growth potential. Economically viable places can vary in their connection to their geographical context. Higher self-containment and less connection may be evident in a weaker regional setting, for example Darlington which outperforms its sub-region and region in terms of growth, educational performance and unemployment. Lower self-containment and greater connection may be expected in the context of more vibrant regional economies, for example Milton Keynes. For the economically unviable places with high levels of self-containment, Hartlepool for example, greater linkage to external economies were typically but not always successfully sought. For economically unviable, open economies retaining more economic activity and benefit from its external linkages was key.

Milton Keynes was our most economically viable case study. It is a relatively prosperous place even in the buoyant South East England context, growing rapidly from a low base in the early 1980s and faster than comparator areas (Table 7.2). The determinants or ‘drivers’ of growth for Milton Keynes have been identified as the growing national economy, government policy

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especially New Town establishment, decentralisation from London both through regional policy and later counter-urbanisation responding to inflationary pressures in London, strategic location and accessible transport infrastructure, availability of land for expansion and modern IT-enabled premises, availability of labour in rapidly growing population and workforce and active marketing and promotion by Milton Keynes Development Corporation.147

### Table 7.2: GDP per capita index for Economic Partnership Areas, South East England

<table>
<thead>
<tr>
<th>Rank</th>
<th>Economic Partnership Area</th>
<th>Index score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Thames Valley</td>
<td>151</td>
</tr>
<tr>
<td>2</td>
<td>Milton Keynes</td>
<td>140</td>
</tr>
<tr>
<td>3</td>
<td>Surrey</td>
<td>127</td>
</tr>
<tr>
<td>4</td>
<td>Hampshire</td>
<td>111</td>
</tr>
<tr>
<td>5</td>
<td>Oxfordshire</td>
<td>111</td>
</tr>
<tr>
<td>6</td>
<td>Buckinghamshire</td>
<td>110</td>
</tr>
<tr>
<td>7</td>
<td>West Sussex</td>
<td>109</td>
</tr>
<tr>
<td>8</td>
<td>Kent</td>
<td>93</td>
</tr>
<tr>
<td>9</td>
<td>Brighton and Hove</td>
<td>81</td>
</tr>
<tr>
<td>10</td>
<td>Isle of Wight</td>
<td>67</td>
</tr>
<tr>
<td>11</td>
<td>East Sussex</td>
<td>63</td>
</tr>
<tr>
<td>12</td>
<td>South East</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>UK</td>
<td>100</td>
</tr>
</tbody>
</table>

* Indices calculated from a base of the UK as a whole equating to a score of 100.


Our case studies reveal the importance of the qualitative nature or character of growth and how it is articulated in particular places. Principally, what sort of jobs does it create? How does it relate to economic viability and self-containment and at which geographical scales? Darlington provides an example of the economic development conundrums of its particular form of growth. Darlington has a relatively high participation rate and relatively low unemployment rate in the North East context with an expanding service sector creating job opportunities. However, average wage levels compare unfavourably even with less prosperous neighbouring areas, especially for women in service sector jobs and for those living and working in Darlington (Table 7.3). Indeed, the availability of job opportunities requiring relatively little skill and experience has negatively impacted upon staying on rates at schools and school to university progression rates. Higher skilled and better paid residents living in Darlington tend not to work in the town. Lower wages levels have been successful in attracting particular types of economic activity, for example administrative ‘back office’ functions for AMEC. Longer term economic viability may be comprised by low paying jobs generating relatively low levels of disposable income. Strategy is focused upon the creation and attraction of higher value-added jobs and sectors to create higher quality employment.

Milton Keynes too is concerned with the qualitative nature of its recent growth. Milton Keynes has a concentration of employment in back office functions—such as data processing and administration—for banking and insurance sector activities. The labour market is over-represented in lower skilled occupations, particularly clerical/secretarial and sales, due to the dominance of retailing, wholesaling and back office functions in the local economy. Skills and qualifications levels are also relatively poor in Milton Keynes—it ranks second bottom amongst the Economic Partnership Areas in South East England in terms of its proportion of people employed in managerial, professional and technical occupations. The occupational structure and qualifications composition of the workforce may be susceptible to organisational restructuring, for example ‘off-shoring’ and IT substitution and businesses being drawn to other locations with more skilled workforces. On this basis, Milton Keynes is: “….viable in economic terms…we can tootle on as we are doing for a while longer but it would be a second class place and so wouldn’t embed the companies that you want to stay…We want to be indispensable to employers” (Milton Keynes Partnership, Authors’ Interview, 2005). Attracting well-qualified labour to Milton Keynes and developing the existing workforce have been identified as priorities.

The social and spatial unevenness of growth have meant inequality and disadvantage have underpinned the social inclusion agenda in all of our case study areas. In particular, the fear is that disadvantage and poverty is inequitable for those without access to opportunities and may negatively effect economic viability by dissuading people from wanting to live and work locally. Indeed, a ‘shadow’ effect of public funding in repelling investment and residents was noted in signalling poor education, health and a depressed economy. Examples of strategic recognition of this issue include:

“A strong, sustainable economy cannot be achieved without also building safe, healthy and inclusive communities and all partners must work together to ensure that the benefits of economic growth are experienced by everyone” (Darlington Partnership 2004: 1)
“…how to, in a growing economy, make sure that the rich/poor gap doesn’t widen or closes” (Hartlepool Borough Council, Authors’ Interview July 2005).

“Notwithstanding the economic success of Milton Keynes over the last thirty years, the City has significant areas of deprivation. It cannot be assumed that growth will automatically deliver benefits to all residents. Indeed, there is a trend to greater inequality associated with the process of economic development. The economic vision must seek to address social and economic exclusion so that everyone can enjoy the benefits of Milton Keynes’ success. This is one reason for seeking to retain a diverse economy so there are a range of jobs for everyone. It is also importance to invest in education and skills development (and raising aspirations) in the most deprived areas” (DTZ Pieda Consulting 2004: 42).

Despite being at or around full employment (unemployment rates for August 2004: Luton 2.9%, East of England 1.4%), Luton has an unemployment issue, especially in its regional context, with concentrations in inner wards, particularly amongst some black and minority ethnic groups, and some peripheral wards as well as amongst men and long-term claimants. The concentrations have reproduced areas with high levels of poverty and deprivation, low skills, poor educational attainment, high levels of ill health and crime, and a poor physical environment. The LSP has recognised that: “…there are areas which still suffer from high levels of multiple deprivation. Factors such as social class, income, ethnic origin and disability create unacceptable inequalities between Lutonians in terms of opportunities and quality of life” (Luton Forum 2005: 1). A response is made in the Luton Regeneration Strategy: “To specially target people and groups at risk of social and economic exclusion” and “To shrink the gap between the economically thriving and struggling parts of the town”. In Milton Keynes, the strategy of developing a ‘rounded’ economy with lower and semi-skilled job opportunities is evident in the vision that argues that: “It is important that a range of employment opportunities are available for everyone, not just those with high level qualifications and skills” (DTZ Pieda Consulting 2004: 29).

In the case studies, economic viability was sought through economic strategies that focused upon diversified and simultaneously higher value-added economies (Table 7.4). Contrary to the specialisation explicit in cluster development policies, local economic institutions sought to reduce dependence upon any particular economic activity, sector or employer and to increase the sophistication and value-added content of economic activities as a means of reducing their vulnerability to price sensitive competition. Mixed approaches to both exogenous (external) and indigenous (internal) business development were evident, across the range of business activities and sizes, and encompassing self-employment and social and community enterprise. Interventions were typically supply-side oriented, for example workforce training and skills and commercial property. Self-containment was evident only in relation to increasing local employment opportunities. Sustainable development has often related to addressing infrastructure pressures from peak demand travel and commuting flows.

Hartlepool LSP’s Community Strategy has a priority Jobs and the Economy theme that aims to: “Develop a more enterprising, vigorous and diverse local economy that will attract investment, be globally competitive and create more employment opportunities for local people” (2002: 11). In the current context, however, Hartlepool are looking to expand their economy and contribute to the Tees Valley city-region rather than compete and overtake people. Despite the strategy, however, external analysts are less sanguine about its prospective economic viability:

“Hartlepool has no clear development of where its economy is going. It is still based on manufacturing, which is declining, and it is not inherently attractive to the service industries, although there have been call centres going there, which have had difficulties finding the right people with the right skills” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005).

In Luton, services now employ as many as the once dominant manufacturing sector. The Luton LSP’s Community Strategy’s aims for “a working and prosperous Luton” has as its vision “In 2012, Luton is a town with a well-trained workforce and a thriving business sector, where opportunities for employment are maximised and where workers receive higher salaries in real terms”. Strategic priorities are “To develop a sustainable ‘take it, make it, move it’ high-skill and high-value economy” and to reduce unemployment levels, especially amongst groups experiencing disproportionately high levels. Inward investment and indigenous growth strategies currently lack integration. These themes are echoed in the Regeneration Strategy seeking a ‘modern and diversified’ economy and “…the realisation of better quality and more skilled jobs and/or self-employment”. Continued economic diversification is central to Milton Keynes which has:

“…a diverse economy and this is a strength that should not be abandoned, despite the current emphasis on cluster development to create a more conducive environment for economic growth…The current broad- based approach to economic development has enabled the Milton Keynes economy to grow quickly and to weather the economic downturns of the early 1980s and 1990s with little adverse effect. Given the pace of growth planned for Milton Keynes in the future, it will be important to retain the ability to create jobs quickly” (DTZ Pieda Consulting 2004: 29)

Both growing existing businesses and attracting new businesses are central to the strategy, although this appears to have a more competitive character in the UK context: “…it may be that existing businesses can be encouraged to consolidate activities that are currently undertaken in different locations across the UK in Milton Keynes” (DTZ Pieda Consulting 2004: 29). Table 7.4 summarises the economic development strategies and priorities in the case studies.

<table>
<thead>
<tr>
<th>Locality</th>
<th>Themes and priorities</th>
</tr>
</thead>
</table>
| Darlington | Support the economy  
Support new and existing businesses  
Support people into employment  
Create a quality environment for economic growth  
Promote Darlington as a quality location for business and tourism |
| Hartlepool* | Jobs and the Economy  
- Encourage development of a knowledge driven and electronic economy and stimulate innovation and its commercial exploitation  
- Place local colleges and the universities at the heart of the local economy  
- Ensure that the transport infrastructure, property and physical environment are attractive, modern, responsive, flexible and eco-friendly  
- Encourage development of flagship sites  
- Help build an enterprise society  
- Encourage and support the establishment and development of inward investment companies, existing and ‘new start’ businesses in strategic clusters…, providing a range of quality sustainable jobs  
- Promote positive image of the town  
- Support and develop…tourism and leisure industry  
- Improve the vitality and viability of the town centre  
- Continue to recognise the significance of the voluntary and community sector to the local economy  
- Support local people in gaining maximum benefit from the economic regeneration of the town, including all people of working age in the economy,…  
- Support employment and training schemes…that give people who experience disadvantage, discrimination, ill-health, caring responsibilities or disabilities better prospects….  
- Increase accessibility to work  
- Increase knowledge and awareness of business in the community |
| Luton | Business to compete with the best  
Modern and diversified economy  
More jobs, in all areas, for all groups  
More capable and skilled workforce  
Environment to regenerate  
Infrastructure for the 21st Century |
| Milton Keynes | to continue its economic growth by developing and attracting more knowledge-based businesses, with higher added-value output; not only will this increase local wealth, but it will also enable Milton Keynes to achieve its potential to support the sub-region’s contribution to the UK’s competitive position; to take steps to ensure that all sections of the community have the opportunity to participate in the economic success of the area;  
to improve sustainability in Job opportunities, Learning opportunities, Transport systems, Housing to maintain and enhance the area’s environmental standards, ensuring that it remains an attractive place in which to live and work.  
to develop institutional and organisational arrangements which will facilitate the development process, working in collaboration with adjacent areas. |

* Hartlepool Community Strategy aims and themes: Jobs and the economy, lifelong learning and skills, health and care, community safety, environment and housing, culture and leisure and strengthening communities.  

7.2.2 INVESTMENT AND ECONOMIC ASSETS

Investment and economic assets shape the economic viability and self-containment of geographical economies through the renewal and upgrading of productive capacity and infrastructure. The ‘connectedness’ of places in terms of transport as well as ICT networks was interpreted by our case study institutions as pivotal in the context of the heightened geographical scope and potential mobility of economic activities. All of our case studies faced such issues with the potential to impinge upon both their economic viability and self-containment. High level ‘connectivity’ is a strong “selling point” to potential investors (Darlington Borough Council, Authors’ Interview, 2005). Conversely, transport constraints are potentially damaging and contributory factors in reinforcing self-containment in real and imagined terms. This was graphically illustrated in terms of rail links to and from Hartlepool: “…[it] takes one hour and ten minutes to get to the east coast mainline. The last train from London arrives at nine pm in the evening so you have to be on it at five thirty and manage two changes” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005). Even in the better connected places such as Luton with “excellent transport links”155 – the expanding airport rebranded as ‘London Luton Airport’, major motorway connections (M1, M25) and rail links (e.g. Thameslink) – concerns were evident with the accessibility of key industrial sites, reliability and variety of public transport and new routes to alleviate rush hour traffic congestion. For Milton Keynes, issues concerned the telecommunications infrastructure legacy and the need for fibre optic wired infrastructure upgrading, strategic accessibility and transport infrastructure focused on efficient movement within the travel-to-work-area, the historical legacy of car-based design and under-utilised public transport, and connectedness to key nodes, for example London and Heathrow and Birmingham and Birmingham International Airport.

While private sector investment was important, in the context of the more recent growth and productivity-oriented regional policy it was often limited to ‘areas of opportunity’ with more obvious growth potential. In ‘areas of disadvantage’, the public sector was pivotal. The example of Hartlepool is illustrative:

“…you are starting with huge problems of dereliction before you even start. If you have a situation in which there is no land value for sites and therefore you have to create land value by putting infrastructure in, then the ability to generate your economy is dependent on the amount of public expenditure allowed to do that – something the government doesn't fully realise” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005).

While public sector support was seen by some institutions to promote dependency and reduce self-reliance and innovation, given the particular circumstances in Hartlepool it is difficult to see what could have been achieved without the scale of public resources committed. Across the case studies, land and property approaches based upon strategic and themed sites situated within regional and sub-regional economic and spatial strategies have been complemented by service-oriented strategies directly linked to growth sectors, including distribution and logistics and financial and business services, as well as public sector relocation linked to the Lyons Review.

For our case studies, notions of ‘quality of place’ and ‘quality of life’ were seen as increasingly integral to investment decision-making and the ability to attract and retain skilled labour and higher level occupational groups. In the context of heightened mobility and stretched commuting flows, places needed to be perceived externally and internally as ‘good’ places to live, work, raise and educate families, and pursue leisure activities. Such factors were often qualitative, intangible and difficult to measure and quantify. In particular, what was distinctive about particular places that could give them an edge in attracting investment and people was often difficult to articulate and illusive. Darlington’s ‘Gateway’ concept, for example, sought to project a positive image of the town and reinforce its capability to attract investment.

While economically viable and situated within a buoyant regional economy, Milton Keynes struggles with its position as the “UK’s first planned New City” (DTZ Pieda Consulting 2004: 1). The place has a “quality of environment – ‘clean and green’” and “accessibility – easy to travel into and around by car”. However, in the context of heightened competition to attract and retain skilled occupations, it has acknowledged weaknesses in its quality and range of housing, weak diversity and vibrancy of city centre cultural facilities compared to larger and longer established cities and the lack of a distinctive, positive place brand for the whole Milton Keynes area. While ‘Milton Keynes’ had high national recognition levels, the perception was not necessarily positive. The key issues for economic viability and self-containment were to attract young graduates and professionals seeking contemporary, city centre living and senior executives and managers that demand low density and high quality housing. In addition, significant public investment was needed to cope with future pressure on infrastructure from the Milton Keynes and South Midlands Growth Area expansion plans. Both Hartlepool and Luton struggled with poor external perceptions, reinforced by material issues that may detract from ‘quality of place’, for example industrial and manufacturing heritages, insufficient entertainment and/or leisure facilities and open spaces and high crime rates.

7.2.3 PEOPLE

People are key determinants of both economic viability and self-containment for geographical economies across a range of geographical scales. The population size, composition, characteristics and dynamics shape potential economic viability and self-containment. Inequalities in health were a concern, particularly in relation to the service needs of less healthy groups and the health of the available workforce. The people determinant has influenced our case studies in different ways. The original aspiration of Milton Keynes new town rested upon the linkage of economic viability and self-containment: “It would be sufficiently far from the capital, and of substantial scale, to be an independent settlement with its own economy and character” (DTZ Pieda Consulting 2004: 10). The Master Plan sought “opportunity and freedom of choice, easy movement and access, balance and variety” and aimed “…to balance housing and employment so that the town could be self-contained without large numbers of people

having to commute in or out” (DTZ Pieda Consulting 2004: 11). However, from its 
original designation as a New Town in 1967 when 60,000 people lived in the Borough 
and 21,000 people worked there, rapid growth has changed this dynamic. For Milton 
Keynes Council, “Milton Keynes has demonstrated itself, by its flexibility, to be not 
just viable but vibrant. There is a passion for Milton Keynes amongst its population. 
People want to live in Milton Keynes – a litmus test of viability” (Authors’ Interview, 
2005). Now the population has grown to 210,000 and the economy supports 122,000 
jobs. Moreover, as we discussed in the comparative analysis in section 6, the relatively 
young age structure has placed particular demands upon the housing market and 
local public services.

Hartlepool has become less self-contained but its economic viability has not improved 
as a result. Indeed, as the comparative analysis in section 6 shows, population growth 
has been limited and stable the local labour market has actually shrunk. Luton has a 
long history of immigration and BME communities make up 28% of the town’s 184,000 
population, with significant Pakistani and Kashmiri, Bangladeshi, Indian, African 
Caribbean and East European communities. Particular communities have distinctive 
cultures and attitudes that can influence their relation to the labour market, for 
example being less able and/or willing to travel further to work, the higher propensity 
of particular groups to establish new businesses and their engagement with public 
services. As section 6 reveals, the age and ethnic mix of the population structure has 
also raised issues within the LSP concerning the number, accessibility and affordability 
of child care places available within Luton.

7.2.4 EMPLOYMENT AND ECONOMIC STRUCTURE

Employment and economic structure are critical determinants of economic viability and 
self-containment for the geographical economies of our case studies. The level and nature 
of job opportunities and prospects, reflecting the economic structure of the locality, shape 
employment outcomes and income multipliers. Moreover, the geographical spread of jobs 
influence self-containment, particularly in the less skilled segments of the labour market. 
In each case study, economic viability was dependent upon encouraging the development 
of growing sectors. Typically, these were services, especially logistics and distribution and 
financial and business services. Where manufacturing was shrinking, localities often sought 
to retain expertise, especially in higher value-added activities. While the aspiration was 
for high-tech and high value-added economic activities through upgrading existing and 
attracting new and incoming jobs this was accompanied by qualitative concerns about job 
quality, wage levels, duration and career development. For example, each locality was 
concerned about the quality, pay and longevity of call centre employment but recognised 
that these may contribute to economic viability and self-containment by providing 
accessible local jobs within reach of lower skilled segments of the local labour market.

In Darlington, service employment was concentrated in key employers, including 
AMEC, Capita, Darlington Building Society, Argos Direct distribution centre as well as 
the local authority and hospital trust. While manufacturing was declining, key expertise 
had been retained in construction and civil engineering. A concern was the shrinkage 
of the business base by 2% annually through the loss of 10% of all businesses each
year and only 8% of new businesses taking their place. New business development was a priority as a consequence. Luton is a major sub-regional employment centre supporting 90,000 jobs, with major employers in the airport and airlines, Luton and Dunstable Hospital, Luton Borough Council, Luton University and the automotive industry. Dependence upon the volatile air industry is a long-term concern. While declining, close to 10% of employment remains in manufacturing. Key employers include Astra Zeneca, General Motors and BAE Systems. Business start-ups were relatively high in the East of England context, tempered by the high proportion of failures – 45% in first 3 years. In Milton Keynes, the rapid growth trajectory in recent decades has focused strategy on how such population and employment growth can be sustained:

“The expansion of Milton Keynes will only be sustainable if new jobs are created in parallel with the expansion of the population and the resident workforce. Forecasts indicate that to ensure a reasonable balance between those seeking work and the jobs available to local people it will be necessary to generate at least an additional 70,000 jobs in the Borough in the next 30 years. But where will these jobs come from? What sort of jobs will they be? What sort of jobs will provide a robust basis for the future prosperity of Milton Keynes?” (DTZ Pieda 2004).

Three quarters of jobs in Milton Keynes are in producer services, especially banking and insurance (e.g. Abbey) and computer and related industries and communications (e.g. BT, Cable and Wireless), public services and distribution. While growing sectors, the geography of employment will have significant implications for the degree of economic viability and self-containment in Milton Keynes.

Unemployment and inactivity – combined in the ‘worklessness’ agenda – is an issue challenging the economic viability of Hartlepool and Luton. In Hartlepool, a high level of self-containment has served to contain and limit employment and training aspirations and horizons, reproducing the problem:

“Hartlepool does have a high degree of worklessness, with several generations of families that have never worked, and employers with the perception that a large proportion of them are ‘unemployable’, lacking in any skills and with the wrong attitude and aptitudes” (Hartlepool Borough Council, Authors’ Interview, 2005).

In Luton, a lower level of self-containment has not underpinned or encouraged greater labour mobility and geographically wider job search activity, perhaps since disadvantaged groups lack the necessary resources and knowledge of job opportunities and public transport: “In terms of mobility, a high degree of people living in Luton never leave Luton. This is not necessarily self-containment if the needs of those people are not being met and they are not leaving Luton because they don’t have the resources to do so” (Luton Borough Council, Authors’ Interview, 2005).

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7.2.5 ECONOMIC ROLES AND FUNCTIONS

The economic role and functions within a geographical economy are determinants that shape its economic viability and self-containment. Together, the pattern of roles and functions present within the geographical economy shapes its position within the broader geographical or spatial division of labour. Higher level functions can also afford the capacity to adjust to changing conditions – what was described as the “intelligence to adapt” (Darlington LSP, July 2005). Darlington’s economic viability and self-containment is strongly shaped by its role as a sub-regional service centre for southern County Durham as well as northern North Yorkshire. In contrast, Hartlepool struggles to perform a role beyond its own boundary and its position is determined in relation to more the larger and more dominant centres of Middlesbrough and Stockton within the Tees Valley. Luton’s role is articulated within the orbit of London and the greater South East region. Indeed, Luton’s role as a dormitory town for London is impacting directly upon both its economic viability as an employment site and its future levels of self-containment as well as creating tensions in its housing and labour markets as:

“Luton has benefited from people needing to move outside of London for affordable housing but there is a danger that the demand will end up pricing local people out of the housing market...Luton currently needs 4,500 homes and therefore has to look at urban extension...the Vauxhall site will allow the building of houses...old huge hat factories and warehouses are being redeveloped into flats. All are aimed at ‘commuter living’ and not local people...the more housing available, the commuters we get, the more attractive Luton becomes, the more commuters we get, the more local people won’t be able to afford the housing” (Luton Borough Council, Authors’ Interview, 2005).

Milton Keynes overlaps with London and South East as well as Birmingham but, in the context of the Growth Area plans, it is becoming a key node within the South Midlands.

Local decision-making capacity provides greater control and influence over the local economy, shaping its economic viability and self-containment through the types of activities and jobs that it supports. Local institutions are active in seeking co-operation and the participation of key businesses with strategic functions, high level occupations and corporate leaders as ‘hubs’ of ideas and investment whether externally owned or indigenous (at least) regional. Contributions may include model local upgrading projects and board membership and leadership, such as AMEC’s International Asset Management Division and Darlington LSP’s ‘Healthy Workforce’ project. Luton hosts the headquarters for EasyJet and significant technical functions for BAe Systems.

Conversely, the lack of R&D or head office functions limits local autonomy and role. For such places, this is very challenging to reverse. Hartlepool, for example, lacks international businesses with high calibre managements that might provide vision and leadership to stimulate local economic regeneration. However, in the externally owned and controlled businesses: “…decisions are based elsewhere by those with no cultural or social connections to Hartlepool and thus no sense of belonging and loyalty” (Hartlepool Borough Council, Authors’ Interview, 2005). Even within the economically viable Milton Keynes economy, the predominance of back office functions (e.g. data processing, administration)
for the banking and insurance sector are perceived to be vulnerable to ‘offshoring’ and IT modernisation without upgrading. Poor links to major international airports are also interpreted as hampering the attraction and development of higher level functions in the local economy. In addition to the Growth Area plan, Milton Keynes is involved in the pan-regional Oxford to Cambridge Arc (O2C) initiative to create an internationally recognised knowledge and technology business cluster (Figure 7.1) – involving the three RDAs SEEDA, EEDA, EMDA – at the regional or sub-regional scale for clusters: “It follows that the development of modern economic clusters requires action more at a regional or sub-regional level, than within Milton Keynes specifically” (DTZ Pieda Consulting 2004: 29).

### Figure 7.1: Oxford to Cambridge Arc (O2C)

![Oxford to Cambridge Arc (O2C)](http://www.oxford2cambridge.net/)

Source: http://www.oxford2cambridge.net/

#### 7.2.6 INNOVATION, LEARNING AND TECHNOLOGICAL CHANGE

Within the context of national policy frameworks emphasising the ‘knowledge economy’, the importance of local learning institutions to economic growth and viability as well as self-containment was evident in our case studies. These were even termed “sites of knowledge production” (Darlington Borough Council, Authors’ Interview 2005). Where such institutions are not present it is difficult for local institutions to find tangible and feasible routes toward knowledge-economy type contributions to economic viability in geographical economies. As we saw in the basic demographic profiles of the case studies in Section 6, our places each lacked the magnet of a HE institution attracting significant numbers of students, lowering their levels of self-containment, and, potentially, making positive connections to economic viability through graduate retention and labour market skills upgrading. Many of our case studies identified this problem and were involved in establishing and/or extending FE and/or HE institutions within their localities.
Darlington’s lack of a university campus was reflected in a low school to university progression rate and, compounded by the relatively high availability of low skill employment opportunities requiring little experience and few qualifications, the higher than average school leaver to full-time employment rate. A new joint FE/HE centre was planned for Central Darlington to attract and retain students. Luton’s FE colleges were employability rather than research focused, although Luton University was supporting technology transfer and commercial innovation through the new Butterfield Innovation Centre and ‘technology village’ funded through NRF, Objective 2 and 3. The aspiration is that this initiative can provide the catalyst for innovation and entrepreneurialism, building upon some limited HE spin-offs in micro-wave and communications systems technologies. Given its history of weak exploitation of its local R&D base, Milton Keynes’ priority has been to develop a University node in Central Milton Keynes as part of the University of Milton Keynes model of collaborative HE provision involving the OU, Luton University, Milton Keynes College, University College Northampton and De Montford University. Similar to Luton the buoyant labour market and relatively high availability of vacancies means: “…it is too easy in Milton Keynes for people to get into low-skilled jobs which means less people opting for HE training and knowledge” (Milton Keynes Partnership, Authors’ Interview, 2005). For research, it is seeking to capitalise on the OU distance learning global HE and R&D brand and the Cranfield R&D and technology park as a catalyst for development of knowledge-based industries. The challenge is to harness the “R&D base to a much greater extent than in the past” (DTZ Pieda Consulting 2004: 35).

7.2.7 PLACE-BASED

Place-based factors are vitally important in shaping economic viability and self-containment for geographical economies. Particular histories and legacies embedded in places can provide resources and assets capable of mobilisation and positive connection to economic viability. Often such place-based influences operate at the local scale. Local identity and heritage can underpin a pride in place and “can do” attitude as well as promoting community participation in policy for the broader local good. For example, there is a strong culture of continuing education and FE in Darlington, the local council in Hartlepool has a strong pride in place and ‘can do’ attitude in working for the good of the town. In terms of self-containment, Darlington’s history of limited dependence upon a single large employer or industry has made its population less suspicious of mobility than elsewhere in the North East region. Milton Keynes’ new town status and rapid growth underpins its ‘open for business’ and ‘can do’ attitudes that are mobilised in promoting the economic development of the town.

Place-based factors can also be negative influences upon economic viability and self-containment in geographical economies. High levels of self-containment, particularly when married with weak economic viability, can breed parochialism and distrust in relation to other places. Constraints, inhibitions and legacies of past experience can create powerful economic, social, cultural and political ‘lock-ins’ that condition individual and institutional actions and behaviour. People living lives beyond individual settlements through the greater mobility and willingness to travel can change such attitudes but perhaps only over the long
Darlington’s proud engineering heritage has meant that some local partners struggle to move beyond “manufacturing or nothing” in discussing future economic strategies (Darlington LSP, Authors’ Interview, 2005). In the context of the old industrial region of North East England, the employee culture and relatively small and weak regional economy has underpinned the limited traditions and role models for new business development. Localising public sector procurement is being used in some places as a stimulus for new business creation, particularly social enterprises.

Low aspirations and parochial horizons, to a degree supported by relatively higher levels of self-containment, can undermine economic viability. In Hartlepool, local parochialism has meant it is difficult to “…raise aspirations beyond Hartlepool…[since]…people want jobs on their ‘door step’” (Hartlepool Borough Council, Authors’ Interview, 2005). The task for local institutions is to “get across to Hartlepool folk that the world is a small place…get local authorities, citizens, business to think more broadly, ambitiously…” (Hartlepool Borough Council, Authors’ Interview, 2005). The challenge for areas of disadvantage such as Hartlepool is clear but formidable and long-term: “How do you get more jobs into Hartlepool? How do you raise the image of the place? How do you get young people to understand that if they work hard they will get a decent job?” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005). The weak civil society and voluntary and community sector in disadvantaged communities in Hartlepool has struggled to address such entrenched attitudes. Luton too, suffers from skills attainment below the regional average as a result of the manufacturing history:

“Whilst this sector required a pool of highly skilled labour there was no concept of training or learning for life and so once job opportunities were lost not only were their skills redundant but there was a lower level of aspiration to retrain and in what?” (Luton Borough Council, Authors’ Interview, 2005).

Place-based factors have often complex and localised influences upon economic viability and self-containment in our case studies.

7.2.8 GOVERNMENT AND GOVERNANCE

Government and governance exert a key influence over economic viability and self-containment for geographical economies across a range of geographical levels. Key questions include to what extent is a place well governed? How is policy co-ordinated between the different spatial levels especially from the national, through the regional and sub-regional to the local, community and neighbourhood? At which scale does governance make a difference? Is the scale and the boundaries of local and regional governance right? Is there the political support and the will to promote and ‘sell’ the place?

In the emergent multi-level system, the evidence of the influence of government and governance upon economic viability and self-containment in our case study geographical economies is mixed. Problems include, first, fragmentation and the lack of co-ordination of policy and delivery. This includes strategies at the different levels and the co-ordination of policy across different institutions, including area-based initiatives. The Tees Valley Joint Strategy Unit argue:
“...no one seems to know...we seem to be suffering from government developing different initiatives at different levels without considering what the inter-relationship between all of them are and where we are going to go in the future. It is causing a tremendous amount of bureaucracy construction” (Authors’ Interview, 2005).

Luton and South Bedfordshire suffer from dysfunctional partnerships, a divided local authority area and boundary spanning issues that require greater degrees of inter-institutional working than hitherto. As a first step, closer relations are being sought between economic development support agencies. Uneven decentralisation and devolved responsibility has also pressured the capacity of local institutions. Milton Keynes acknowledges a weakness in the “institutional capacity to drive economic development” (DTZ Pieda Consulting 2004: 25). The aspirant city lacks an integrated marketing, inward investment and business support function. And, at this stage, aspires in its vision statement to build “can do’ culture through the development of civic leadership, institutional capacity and effective partnership” (DTZ Pieda Consulting 2004: 43).

Second, tensions are evident between regional priorities and local needs. Regional institutions have a region-wide remit and are keen to prioritise projects of regional importance and to concentrate resources “where they can make things happen” (Tees Valley Joint Strategy Unit, Authors’ Interview, 2005). This can sometimes conflict with or relatively ignore particular local issues in place. For example, Luton’s aspirations to raise local employment levels and promote both economic viability and self-containment have been undermined by Luton’s role as a commuting town in spatial strategies at the higher scale and the priority given to housing rather than employment land. Another example concerns the low business start-up rates in the Tees Valley relative to the North East region which is very low nationally. Hartlepool’s start-up rates are lower than Tees Valley. A local intervention has been publicly to fund a business incubation centre but this has failed to attract RDA support due to its limited regional significance, although it is addressing a specific local need in Hartlepool. Regional level housing numbers allocations are another source of tension, particularly where local housing market and stock renewal issues are ignored within wider regional plans. In response, attempts at influencing the nature of Regional Economic Strategies by local institutions to complement local priorities have met with mixed success. Despite the Directly Elected Mayor, Hartlepool perceives itself as “good in its own patch” (Hartlepool Borough Council Authors’ Interview, 2005) but with weaker influence at sub-regional and regional levels.

Third, the relationships between institutions within the multi-level governance system at various spatial levels are complicating decision-making. Tensions between the centralisation of power and influence at the national central government department level and within regional institutions and the degree of decentralisation to the sub-regional and local levels are evident. Top-down prescription is still evident from Whitehall and from the regional level with insufficient local flexibility. Luton Borough Council opined that: “…the main organisations making up the regional architecture are there to merely ‘rubber stamp’ central government policy…ODPM targets come down thick and fast and tend to leave little time for co-ordinated, strategic debate and planning” (Authors’ Interview, 2005). Political accountability and legitimacy, especially at the regional and sub-regional levels is a central issue. Key decisions are being made by institutional partnerships linked
into regional institutions whose accountability is through national central government departments. The indirectly elected Regional Assemblies were seen as helpful but not sufficient in establishing the political legitimacy of regional spatial strategies and weak in scrutinising their respective RDAs. Often peripheral places felt marginalised and unable to influence decisions taken within dominant regional centres. The emergent city-region focus and core city emphasis of recent regional policy was reinforcing this tendency. For example, the Northern Way “emphasis on core cities and core urban areas will require the Tees Valley to demonstrate how it operates as an urban area and how Darlington can add value to the economy of the North” (Darlington Partnership, 2004: 11). For Darlington, however, decision-making was ‘Newcastle-centric’. Middlesbrough-Stockton were seen to be dominant within the emergent Tees Valley city-region, particularly relative to Darlington as a smaller player with less social need and less public resources) and Hartlepool given its size and local predicament.

The Milton Keynes and South Midlands Growth Area within the Sustainable Communities Plan has effectively refocused growth at the sub-regional scale around the Milton Keynes-Northampton dual centred city-region. The 30-year plan envisages population growth to 320,000 with 70,000 additional houses – a similar scale to the rapid growth of the previous 30 years. Nationally, Milton Keynes will rank in the top ten or so cities in terms of population and employment base. Whether it may then join the core cities of the English regional hinterland is open to question. Such growth is also predicated upon a further reduction in self-containment: “The City should provide sufficient jobs for all its residents and for many people in the surrounding rural areas and wider hinterland... At the same time, the City will retain its diverse economic base, so it can continue to provide a range of jobs for all” (DTZ Pieda Consulting 2004: 26). Within Milton Keynes, the Growth Area is viewed as a major opportunity for new infrastructure investment, transport and Central Milton Keynes redevelopment. There are concerns, however, at the need for closer dialogue between the RDAs – SEEDA, EEDA and EMDA – to ensure the responsiveness of programmes to a Milton Keynes economy that spans across all three RDA areas and further co-operation with neighbouring local authorities on cross-border issues and joint working (DTZ Pieda Consulting 2004: 48). Further afield, the same Growth Area also includes and perhaps overshadows Luton as the allocation of housing does not necessarily address Luton’s needs and the upgraded transport infrastructure will be seen as “…feeding people down to London or Milton Keynes” (Luton Borough Council, Authors’ Interview, 2005).

More encouraging developments in the relation between government and governance and economic viability and self-containment include, first, the albeit uneven integration and alignment of regional, sub-regional and local strategies. With local and sub-regional support, Regional Economic Strategies appear capable of matching policy developments across the different levels. Indeed, Regional Spatial Strategies were evidently seeking to shape regional roles and functions with potential implications for economic viability and self-containment. For Darlington and Hartlepool, the regional strategy sees Middlesbrough-Stockton as the provider of city-scale facilities for Tees Valley sub-region. Darlington sees a wider regional role as “…an attractive office location and a successful regional centre – for shopping, business services, visitors, leisure and arts – serving North Yorkshire, County Durham and the western part of the Tees Valley” (Darlington Partnership 2004: 12) and
Darlington’s position “…as a gateway to the rest of the Tees Valley” (Darlington Partnership 2004: 18). Hartlepool fears marginalisation and is seeking to attract facilities and functions for a role and contribution within the sub-region and region not just facilities to serve Hartlepool. Breaking out of self-containment as a route to economic viability is challenging, however, given the primacy of the regional spatial strategy.

Second, partnership and joint working has yielded some positive as well as uneven benefits in getting local priorities recognised within sub-regional and regional strategies. At the local level, LSPs were capable of enrolling key local partners and establishing the primacy of Community Strategies for local policy integration and aligning and co-ordinating local partner roles. For example, the Darlington LSP was able to “…create a forum to talk the same language beyond the local authority” (Darlington LSP, Authors’ Interview, 2005) and to co-ordinate the multiple local strategies (Figure 7.2). Similarly, in Hartlepool as well as Luton, the Borough Council sees “one overarching partnership and plan” in the LSP’s Community Strategy.158. Making “…economic viability non-party political…” (Darlington LSP, 2005) was a key element in establishing local authority leadership and the participation of key local partners, especially local business. Best Value reviews of cross-cutting issues were also a stimulus to effective partnership working amongst local authorities. In Hartlepool, the local authority had established local credibility and leadership through a tradition of effective cross-departmental working and joint working with external partners. The particular local context and small size – “Hartlepool is like a big village” (Hartlepool Borough Council, July 2005) – means the challenging context of local disadvantage underpinned such relations.

Third, sub-regional institution-building and strategy-making was increasing the recognition of this scale within regional bodies and strategies. This development is especially important in the context of the emergent city-region focus within the pan-regional strategies of the Northern Way and Midlands Way. Indeed, Milton Keynes is seeking a transformation into a city with national and even international recognition:

“Milton Keynes is currently thought of as being a town, not a city. By 2034 there should be no doubt of Milton Keynes’ status as a city. It should have the range of civic, business, cultural and leisure functions associated with major, freestanding cities. After all, it will have a population and employment base comparable to many other major cities in the UK” (DTZ Pieda Consulting 2004).

The reference to ‘freestanding’ suggests a degree of self-containment and economic viability that reduces the emergent city’s dependence upon other places.

Figure 7.2: Darlington Local Strategic Partnership

Source: Darlington Local Strategic Partnership (2005)
8. Conclusions and policy issues

Seeking to understand the economic viability and self-containment of geographical economies at a range of spatial levels connects with significant conceptual and policy challenges. The questions of how places at specific geographical scales, such as localities and sub-regions, achieve and sustain economic viability over time and how this relates to their relative degrees of self-containment across a range of spatial levels, reveals gaps in knowledge of the processes underlying geographical disparities in economic performance. Designing effective local and regional policy interventions calls for better understanding of these processes to inform the selection of the appropriate geographical scale at which to intervene to foster the economic viability of places.

In this context, this research project has sought:

- To identify the key determinants of the economic viability and self-containment of geographical economies and their variation and interaction across a range of geographical scales
- To examine and construct the available evidence base illustrating the drivers of economic viability and self-containment at a range of geographical scales
- To develop a methodological framework to analyse the economic viability and self-containment of geographical economies
- To undertake a pilot study using the framework and assess its wider applicability for future research and policymaking.

This section summarises and draws together the main findings, conclusions and policy issues, issues for further research and data gaps.

8.1 Concepts and definitions

Economic viability for a geographical economy at a particular spatial level can be understood as a place capable of generating and sustaining sufficient economic activities and jobs for its population. Economic viability is relative: no place can be 100% economically viable. Economic viability is a question of degree, places can be more or less economically viable. Economic viability changes over time as the fortunes of places evolve and shift, gaining and losing relative degrees of economic viability. Given that economic viability can be interpreted as capable of living or surviving in a specific context, a place can be potentially viable even at very marginal or low levels of economic activity. Sustainability and viability are closely connected and overlap: economically viable places may be considered to be self-sustaining or self-renewing over time in economic terms. Economic viability has no simple relationship to spatial scale. It is evident across spatial levels, although economic viability may be a robust feature at higher geographical scales given the breadth and diversity of the determinants which operate at regional and higher levels. One reason for this is that over time, for example, many local level exchanges have been replaced by national or international economic relations.
Self-containment for a geographical economy at a particular spatial scale can be interpreted as the balance and coherence between the jobs, housing, infrastructure and services to allow needs to be met in that place without necessarily requiring travel outside that place. Self-containment can be absolute: 100% self-containment is possible. But, more often, self-containment is a question of the relative degree of openness or closure of a place at a specific spatial scale. Self-containment changes over time, typically falling in recent times as economic relations have become more geographically stretched. Areas at wider spatial scales tend to be more self-contained because they may encompass more of the determinants of self-containment, but the friction of distance still underpins much localised interaction.

There is no simple relationship between economic viability and self-containment for geographical economies. Economic viability can be either a cause or a consequence of self-containment. Larger and more open areas may have the potential to be more economically viable but cases of smaller and more self-contained areas being economically viable also exist. The lack of simple relationships between economic viability or self-containment and geographical scales suggests the need for an understanding of both concepts that is both multi-scale and sensitive to the relationships between spatial levels. One clear example of this perspective is that an area’s context shapes its economic viability and self-containment; put another way, for most geographical economies at most spatial scales, place matters.

The recent conceptual approaches to economic viability for geographical economies emphasise the need for a degree of self-containment which embeds the externalities and agglomeration economies central to economic growth and a degree of external openness to flows of knowledge, people, goods and services circulating at higher spatial scales. A key issue for particular places is the appropriate balance in extent and character between self-containment and openness to support economic viability at a specific geographical scale. For a locality or sub-region – within its particular broader context – the appropriate degree and nature of self-containment and openness which will deliver sustained economic viability remains an empirical question.

8.2 The determinants of economic viability and self-containment

Drawing upon the literature review, this study has identified and developed the following determinants or shapers of economic viability and self-containment for geographical economies:

- Economic growth
- Economic income
- Investment and economic assets
- People
- Employment structure
• Economic structure
• Economic roles and functions
• Innovation, learning and knowledge
• Place-based
• Government and governance

Each determinant shapes economic viability and self-containment in geographical economies in particular ways across a range of geographical scales. For a particular place at the locality scale, for example, the spatial levels at which its main sources of economic growth and income are working and their connection to economic viability and self-containment are empirical questions. The determinants of economic growth and income have no single spatial level of operation. The determinants may inter-relate and overlap with each other in particular places. For a locality, its economic roles and functions may reach across spatial levels and shape its employment structure and, in turn, its degree of economic viability and self-containment. Yet there is no set geographical scale at which economic roles and functions work and employment structure is determined. Such influences need to be revealed for particular places.

Critically, then, there is no simple relationship between the determinants of economic viability and self-containment and their geographical scale of operation. Each can be evident across spatial levels. A ‘variable geometry’ of determinants may be working across multiple and different scales in different places. Following our methodological framework, identification and exposition of these determinants requires close and comparative analysis of the economic viability and self-containment of particular places.

8.3 The methodological framework

The methodological framework developed in this study is based upon two closely integrated parts both of which have been rooted in work at the sub-regional scale:

• Aggregate and comparative analysis focused upon the ‘people’ and ‘employment structure’ determinants of economic viability and self-containment and the TTWA sub-regional geographical scale for the case studies of Darlington, Hartlepool, Luton and Milton Keynes and 25 comparator areas in England.

• In-depth analysis of the particular empirical situation in selected places drawing upon the perspectives of local institutions, examining their understandings of the concepts of economic viability and self-containment of geographical economies as well as the ways in which the determinants identified in the study were working in the case study areas.
8.4 Key findings

There were four key findings of the pilot study using the methodological framework:

- The determinants of economic viability and self-containment working at different geographical scales come together in particular ways in specific geographical economies. The contingent ways in which such relationships shape places can be elucidated through marrying the aggregate comparative and in-depth case study approach utilised in this study.

- The experience of economic viability and self-containment within geographical economies across a range of geographical scales is uneven. Specific places may be economically viable for particular individuals and social groups but not for others, for example in open economies where low proportions of employed residents work in the area and high proportions of the unemployed reside in the area. Disadvantage and social exclusion issues may result.

- High levels of self-containment are unlikely in the context of current economic trends, especially at lower spatial scales. Self-containment is falling as geographical economies are opening up through the geographical evolution of labour and housing markets or through periods of more rapid adjustment and change.

- The economic context and relationships between places are critical influences upon the economic viability and self-containment of geographical economies across spatial levels. Places that are not wholly dependent upon other single places but whose economic viability is shaped by a diversity of determinants and supports may have more of the conditions likely to sustain prosperity.

8.5 Policy issues

Reflecting upon the findings and conclusions of this study raises a number of issues and questions for local and regional policy:

- What kind of policy interventions and at what scales help places to achieve the appropriate balance between self-containment and openness to achieve economic viability? How can policy influence the geographically embedded externalities and agglomeration economies and the global ‘connectedness’ to support economic viability in places? The findings of this study suggest that the ODPM’s current model of Sustainable Communities, implying the need for openness and connectedness for economic viability, needs to be qualified. A degree of self-containment can positively enhance economic viability for geographical economies, although for places the scale at which such self-containment may manifest itself is an empirical question. The determinants unfold at different spatial levels and shape places in different ways.
• The critical influence of place-based factors upon economic viability and self-containment, especially at the local level, suggests place matters for policymaking. More context-sensitive approaches to policy may therefore be required. However, co-ordinating and integrating a growing diversity of policy interventions tailored to local circumstance creates significant challenges for the spatial distribution of policy functions and for the institutions working at the sub-regional, regional and national levels. Although strategies at particular spatial levels have the potential to support integration (e.g. regional economic and spatial strategies, sub-regional and community strategies), recognition that specific types of places exist and have shared issues (e.g. coalfields, seaside towns, remote rural areas, inner cities) – rather than everywhere being considered different and requiring unique policies – may support more generalised policy approaches.

• Our analysis of economic viability and self-containment across geographical scales emphasises the importance of economic context and the roles and relations between places. In the context of emergent and more complex policy designs working across geographical levels and on new territorial entities, for example city-regions and pan-regional areas such as the Northern Way, economic and spatial strategies need to acknowledge the complexities and challenges that such inter-relations may generate for policymaking and delivery. Multi-level and more flexible forms of governance may be needed to co-ordinate and integrate policymaking across geographical scales, raising questions of appropriate institutional forms and accountability and transparency.

• An understanding of the most appropriate scale for policy – or subsidiarity – is a clear policy need. Transport and telecommunications infrastructure as well as innovation and technology policy, for example, may be suited to the national or pan-regional scale given their emphasis upon strategic connections and knowledge flows. Policies related to matching labour supply and demand may need to be at the LLMA scale not wider or more localised whereas tackling deprivation may warrant more localised approaches.

• The complex ways in which economic viability and self-containment play-out through a range of spatial scales in particular geographical economies reinforces the need for detailed knowledge of how the determinants or ‘drivers’ have shaped and – in the future – are likely to shape the prosperity and prospects of places. Developing longer-term visions for the economic viability of places and assessing their respective contributions to their broader city-regions, regions and national economy as well as their potential needs for public support may benefit from in-depth ‘Territorial Reviews’ that develop the methodology utilised in this study and marry aggregate analysis with detailed local understanding and knowledge. The OECD utilises this kind of place-based approach. Such studies may connect with national regional economic policy in the UK by analysing what places can do for themselves and their wider contexts in terms of economic viability.
8.6 Data gaps and further research

Our conceptual understanding that economic viability and self-containment are shaped by a range of drivers operating across a range of geographical scales with particular outcomes in specific places reinforces the methodological approach developed in this study. Indeed, further studies that combine the aggregate analysis and in-depth case studies may advance our understanding and strengthen the evidence base.

This research has adopted a mixed methods approach to its investigation. The most difficult critique to rebut would be that it has been over-ambitious in combining literature review, theoretical critique, quantitative time-series analysis and case studies based upon interviews. The justification has been that the relevance of self-containment in particular, and the need for a multi-scalar approach in general, only came to the fore very recently. So a ‘ground-clearing’ approach was necessary. As yet the linkage between the quantitative and qualitative research elements remains limited, although both provided vital evidence on the case study areas. Indeed, there was no hint of the different strands of evidence contradicting each other. In short, the methodological framework remains somewhat unproven but also ripe for further field testing.

The methodological framework developed in this study could be extended and developed in several directions. First, an examination could be undertaken of a wider selection of TTWAs in different regional contexts and states of economic viability and self-containment for geographical economies at the sub-regional TTWA level. Specifically, further study could address, first, strong and closed as well as weak and closed places in prosperous regions and, second, strong and open as well as weak and open places in lagging regions. This research would provide confidence that the findings here have not been too dominated by the distinctive case study areas. Second, the methodological framework could be scaled up to work at spatial levels higher than the TTWA or sub-region – such as cities, city-regions or regions – or perhaps scaled down to address lower spatial levels – communities or neighbourhoods. Clearly shifting scales would place rather different determinants at the forefront of the research. Third, there are many questions left to explore by broadening the quantitative analyses out beyond the ‘people’ and ‘employment’ fields, for example the extent to which areas are reliant upon service provision facilities elsewhere or the extent to which they are dependent upon substantial financial net inflows from central government.
Appendix 1: List of participating organisations

Darlington Borough Council
Darlington Partnership
David Lock Associates (Town Planning and urban Design Consultancy)
Durham and Tees Valley Local Learning and Skills Council
Future CMK
Hartlepool Borough Council
Hartlepool Partnership
Luton Borough Council
Milton Keynes and North Bucks Chamber of Commerce
Milton Keynes Council
Milton Keynes Economy and Learning Partnership
Milton Keynes Partnership
One North East
South East of England Development Agency
South East of England Regional Assembly
Tees Valley Joint Strategy Unit