



Recession? Unemployment? Doom and Gloom?
Yes indeed.

But our present downturn also offers a once-in-a-lifetime opportunity to invest in a future of productive industry, affordable housing, cost-effective public transport, rejuvenation of urban and rural environment.

We should seize this golden, yes, golden opportunity to improve our productivity and our infrastructure.

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Our nation's rural and major roads, highways and motorways together form an interlocking system of communication, through which we move ourselves, our goods and services. It is a significant element in our national infrastructure.

But imagine for a moment that all roads are private, as in the medieval turnpike days. Private roads, privately constructed, owned by their shareholders and operated purely for private profit. Some roads are well maintained, others not so. One particularly important highway is in very poor repair. Its importance allows its owners to charge very high tolls for its use, and the fact that expenditure on maintenance is negligible allows profits to be maximized.

Then one day torrential rains destroy one of its main bridges, and the loss of this strategic link brings the entire region almost to a standstill. This event may perhaps prove a turning point in the nation's history, as people, local and national administrations come to the realization that the road network is a vital part of the nation's infrastructure and as such must function as a totality, operated responsibly to a high standard.

The Great Banking Crisis of 2008-9 may have the same effect, dispelling illusions and forcing an acceptance of reality. The illusion is a widely, and quite reasonably held assumption that our banking and monetary system is a national institution, a significant, indeed perhaps the most important element in our national infrastructure, that web of interlocking services like water, electricity, telecommunications, roads and public transport which collectively make a country and life within it civilized.

But not so.

Our monetary system is dependent on the banking system which services it. And our banks are all privately owned, operated for the benefit of shareholders, the national interest being only of secondary importance. All of the interlocking problems we see today which have together brought our economy to its knees are the result of private institutions operating for short-term private gain, with scant regard to the public welfare and little or no awareness of their collective role as the nation's most valuable of all its infrastructural components.

The banks are in trouble because they gambled wildly and irresponsibly with the resources at their disposal. Q: Are bankers Conservative or Socialist? A: Yes. When they're on a winning streak taking in profits on bets the complexity of which few but the young whiz kids understand, when star traders and executives are taking home bonuses in the millions, the bankers are True Blue Conservative – and Hands Off Private Enterprise!

But when the bets turn sour and phenomenal winnings turn into ruinous debts, suddenly they're Socialists, standing in the lineup, their top hats held out for government welfare – and welfare on a scale which dwarfs unemployment benefits for ornery out-of-work folks. And so the government steps in. While traditional economists make dark threats about the dangers of governments running the banking system, the reality is that a nation's banking and monetary system is a vital part of its infrastructure, and when it's threatened, government is the banker of last resort. All of which gives the bankers the last laugh of course: "you can't say we're private companies, and let us go to the wall Prime Minister. We are your nation's banking system. Without us your people will be reduced to bartering fruits and vegetables in the public market – back to darkest Africa". Yes, they've got us over the proverbial barrel.

And they're right. We can't do without them. Just as we moved from private roads to a unified publicly administered system, so we need to reconsider our private, operated-solely-for-profit banking and monetary system right from the bottom, what we need from it and how best our needs can be supplied efficiently and cost-effectively. But that will come later. For now, let's look in more detail at the mess we're in at this moment.

1. Analysis: (a) The Problem

The fat-cat bonuses are already well established in folklore, and there is a wide awareness of the extent to which banks have bent over backwards to invent ever more complex gambling devices without apparently any thought that gamblers might one day lose their (or our) shirts. This in turn leads to a consideration of the private company status of banks, their gross misuse of resources at their disposal and scant regard for their status as guardians of the nation's monetary system. The complexity of the risks they were increasingly taking and their subsequent downfall is the major element in our current financial troubles.

There is also another factor, what economists call a major credit overhang, which means simply that taken overall we are personally and individually up to our necks in debt. Ten years ago in 1999 British households were already the fourth most indebted among the G7 economies. By 2002 we had taken the lead, with a debt burden equivalent to almost double disposable income, the money you have to spend after essentials are covered.

Bad behaviour? No one to blame but ourselves? Partly yes. But the bankers must share the blame.

When a plumber does a job you have a right to expect quality work that will last from a man who knows what he's doing. Similarly if a mortgage professional says you can afford it, you would not be irresponsible if you believed him. Adverts on commercial radio tell you that, with the value of your home now most probably greater than your mortgage, you are sitting on unrealized assets. "Unlock the equity in your home!" they cry, giving the impression that you are sitting on an untapped oilfield in your back garden.

Similarly we are plagued at every turn by offers of credit cards, through the mail, the internet, department stores... they all want you to run up debts on their credit cards. Why? So you can enjoy tomorrow's pleasures today? Not really. What they want is for you to run up a debit which you fail to pay on the due date, either because you can't spare the cash right now, or because you've got so many credit cards you can't possibly keep a check on all of them. So the credit card companies charge interest on the outstanding debt – a profitable investment at 19%.

Dodgy mortgages may give some grateful buyers a home, but if their incomes can't sustain the payments then repossession will be the inevitable result. At the same time, bringing homeowners into the market who can't afford to be there simply pushes house prices up yet further so the boom feeds on itself. And when any commodity starts on the rise, the speculators step in, so again pushing up prices, speculation being a self-fulfilling prophecy... until the bubble bursts.

But unsustainable mortgages are a symptom, not a cause. People need houses, that's a basic of a civilized life. As long as there is a shortage of affordable housing, not subsidized, but at-cost, economical housing provided for example through housing cooperatives, the pressure is on to obtain a mortgage by whatever device your friendly mortgage broker is willing to come up with.

As for the huge credit card debts, credit companies, all of which share common databases, need to curb their collective limits. It is no part of responsible banking to tempt otherwise responsible citizens into irresponsible financial practices.

1. Analysis: (b) The Result.

The results of bank gambling are clear to see: they are all stony broke, and that's that.

The result of high personal debts, coupled with declining home values and the threat of unemployment have led to a forced return to commonsense. We're in debt therefore we need to stop spending for a bit, get out of the red and back into, or at least somewhere near the black. Keep earning, stop spending. A very wise choice. The trouble is that everyone else is doing the same, and the economics just don't work out. If we stop spending, stocks build up in the shops, so they stop ordering, producers stop producing... and stop employing. And when people are out of work on very reduced incomes, they spend even less, so putting even more out of work.

Economics is a circle. Work Monday-Friday, earn, then shop and spend on Saturday, the shops reorder, so we're back to work on Monday. Break the circle and the whole economic machine grinds to a halt. Economics isn't rocket science. It's common sense and human nature.

1. Analysis: (c) The Solution.

And the solution isn't rocket science either.

In the summer months the good bed-and-breakfast ladies of our seaside resorts are busy... well, cooking breakfasts and making beds. But come the winter months and all is quiet. So what do they do? No problem. Winter is the time to add an ensuite bathroom, decorate another bedroom, give the kitchen a really thorough cleanout, trim up the garden. Idle? Winter's our busiest time!

What these wise folk are doing is not economics, it's simple commonsense. They are using the downturn in demand from customers to invest in projects which will prove their worth next spring when the holidaymakers return, either by giving customers better facilities, or by investing in ways to deliver services more productively, and thus more profitably – new labour-saving equipment for the kitchen for example, or a new larger washing machine so they can do their own sheets and table cloths, saving on laundry bills.

Now, in a time of economic downturn, now is the time for wise Councils to invest in infrastructure improvements, to provide affordable housing, and improved public transport. Now is the time for wise companies to keep their key staff, and focus, not on production of goods which are not for the moment in demand, but on investment in factory and production improvements, better layout, machine maintenance, installation of more modern equipment, research into new products. Work today, not for current production, but to improve productivity so that when demand resumes, tomorrow's products will be better and cost less to produce. Not a revolutionary proposal, simply doing what the bed-and-breakfast ladies do every winter.

But this simple solution requires one simple facility: credit. Which in turn requires a properly functioning banking system. And oh dear. We don't seem to have one.

A country needs two things from its banking system. The first is relatively simple, and as such is best done simply and by simple means. We all need a local bank where we can have a current account, pay money into it, and withdraw for daily needs. No rocket science there. The local bank should know its clients, their needs and capabilities in order to offer advice and services appropriate to their needs.

The second and rather more significant need from a banking system is investment. Loans quantified within the nation's capacity and so directed as to enhance the nation's productive capabilities, creating jobs, financing infrastructure, helping business to expand and to remain in the competitive forefront. Wouldn't that be nice? But banks aren't philanthropic organizations. They're not there to be helpful, to boost their nation's productivity and competitiveness. They're there... to make as much money as they can for themselves and their shareholders, if necessary by resorting to the wild and irresponsible gambling the extent of which has only now been revealed in its full enormity.

Maybe it's time to look at our banking system and ask whether it fully meets our needs, and if not, how it might be restructured better to do so.

2. Strategy: (a) Development Banking

Does our present banking meet our needs? Yes, and no. Yes it meets our demands for unsustainable mortgages and unlimited credit cards which only get us into trouble. And no it does not provide a full and satisfactory service with regard to committed investment for industry and infrastructure. In addition, bankers gamble irresponsibly with funds at their disposal which is not in the interests of their customers or the nation as a whole.

The responsible provision of our local day-to-day banking needs is not a major problem.

It is in the area of longterm investment in industry and infrastructure that we need a fundamental revision of current practices.

To take care of investment needs, we need to create specialized Development Banks on a regional basis with the specific purpose of investing in regional business and industry on an ongoing partnership basis, with decisions based on a rigorous assessment of project viability and guided by an overall regional investment strategy.

Regional Development Banks (RDB) would be licensed by a National Development Bank Commission and authorized by the Commission to make investment loans up to a global value as determined from time to

time by the Commission in conjunction with current Central Bank policy and prevailing economic conditions. Each RDB is then evaluated separately and individually in terms of loan capacity dependant on specific circumstances of the region in which it operates.

Loans are then made to encourage and develop new startup enterprises large and small, to secure, expand and improve existing enterprises, and for major regional infrastructure projects, the latter in conjunction with local authorities and national planning.

In each and every case, the granting of a loan is preceded by a thorough and complete business plan providing full working detail, proposed use of the loan funds, and precise projections of sales, income and expenditure as appropriate for each project, as well as anticipated repayment schedule.

In order to ensure the most secure possible foundation for the enterprise or the project, as well as the ultimate security of the loan, each RDB would maintain a register of specialist firms, contractors, business advisors etc who can be called upon to verify loan clients' cost estimates and provide setup advice in forms varying from design of factory premises to promotion and accounting. Skilled commercial, architectural and technical advice is thus available, either to assist existing enterprises or to promote new ones.

Once launched, the new enterprise manages itself but the Bank guarantees continuing support in return for a flow of data from which the new enterprise's progress can be monitored – production, sales, profits and so on. As soon as the loan has been granted, all transactions of expenditure and income would be recorded daily in real-time in the Bank's database, and accumulated each month when actuality is compared with projections using the Bank's computer model. Discrepancies will be flagged by the system. The individual loan supervising agent then reviews the month's performance with the client, and any variations from projections can be analyzed and remedied as necessary. If anything begins to go wrong, the Bank can give timely help, with advice or further finance if appropriate.

The highly successful Mondragon cooperative group in Basque Spain illustrates this ongoing relationship between investment banking and recipient business. The *Workers' Bank* serves three mutually inter-dependent functions: it provides investment as a local development bank, offers technical and financial advice for business startup, then monitors production, quality, and financial performance in a process of ongoing cooperation and partnership.

The ongoing partnership concept also assumes longterm commitment, ensuring finance for secure long-range planning and productivity investment, as well as research and development into new-generation products and services in conjunction, perhaps, with more specialized venture capital funds.

A major distinguishing feature of the RDB concept is that *a total project, from design through production and management to sales, becomes the loan collateral*, rather than the personal assets of individuals. The RDBs exist to create new business and new wealth where none previously existed, not (in the words of comedian Bob Hope) "to lend money to people who can prove they don't need it".

RDBs are authorized to create loans based on project collateral, and are not required to maintain "reserves" in the current banking sense. In the current banking tradition, a bank's reserves are instituted as, and traditionally regarded as an insurance against losses, but in practice insurance is no better than the risks it insures. Experience in 2008-9 has shown bank assets woefully inadequate to cover bad investments and gambling risks. The RDBs would rely for their security on thorough research of loan projects, on a close working and constructive partnership with the loan recipient, and a detailed follow-up of results. **An investment loan is best securitized by ensuring the success of the project in which it is invested.**

This is a relatively new concept of forward-securitized banking in which the security of the loan is represented not by a backup of assets but by the future performance of the investment project.

RDBs would charge only to cover administrative costs. Interest charges as such would not apply.

While one major objective of the RDBs would be to assist in improving the productive efficiency of their business clients, the RDBs themselves would be required to maintain the highest standards of service and the most economical costs in order best to serve their clients and home regions.

All RDBs would report monthly to the Commission, indicating the value of loans, and successes or problems with loan clients. All RDBs would also report their monthly administrative costs which are then compared on a standard scale which allows weightings for number of clients and value of loans. The Bank with lowest administrative cost becomes the current benchmark which others should attempt to emulate. Banks are encouraged to compare notes on costs and cost-saving measures while maintaining the highest possible quality of loan assessment, follow-up, and overall customer service.

The purpose of the RDB concept is to promote regional growth and employment to the fullest extent possible. Any worthwhile project, large or small should be considered, and the onus is on the Bank to prove grounds for rejection of a loan. The success or failure of any RDB will be measured not by its profits or the wealth of its executives, but by the prosperity of its home region.

2. Strategy: (b) Regional Planning around Core Cities

Already in existence and well established, the Core Cities Group is a self-selected and self-funded group of eight cities that share a common set of circumstances and ambitions.

- They are big wealth producers at the centre of large conurbations – the city regions.
- The region relies on their performance and their assets.
- They have experienced real economic turnaround, but still lag behind international competitors.

The Core Cities' shared agenda is to create accelerated economic growth and to distribute it, so increasing cohesion and benefits for local people.

These eight cities produce the lion's share of their regional economies, up to – and in some cases more than – 50% of the entire regional wealth. Together with their city regions, they produce 25.5% of England's economy – that's more than London. So it's not just that they are important to the national economy; Britain does not have a viable economy without them.

The Core Cities Group currently includes Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. We need to expand this concept to cover the whole country. And our Core City Regions need to be given far greater autonomy. Michael Parkinson's seminal State of the English cities report (ODPM 2006) showed that, out of the top performing cities in the EU, excluding London, England only had two in the top 50, whereas France had five, Italy six and Germany 15.

The report made two important points. Firstly, the most successful places have more devolution and local control, particularly over finances, than we enjoy in England. Secondly, they are able to operate in a sophisticated way across administrative boundaries within functional economic areas – city regions. Thus we need to identify our core cities and their dependent regions, then create the necessary framework in which the region becomes a unified investment and development area – and we need to do this by moving and merging existing administrations not creating new ones. Indeed we should be looking for savings resulting from the mergers.

High density and infrastructure levels mean that cities are in fact very sustainable places to live, something we forget all too often. Cities provide solutions to issues of the economy, sustainability, diversity and lifestyle choice. However it is equally important to include the surrounding, dependent region.

If the Core City regions are to function efficiently it is important to develop a web of effective public transport linking dependent towns and villages to the core centre. And it is here particularly that the relative autonomy of the region can get things moving. Current funding streams, financing options, bidding and

approval processes are too complex and time consuming. Nottingham has developed one tramline, and agreed a second, in the time it has taken its German twin - Karlsruhe - to build 14 lines.

Having identified our Core City Regions and established Regional Development banks, we would be fully equipped to identify and invest in infrastructure and industry, taking full advantage of our lull in consumer demand to maintain employment while preparing for a more productive future. Our Core City Regions would play the key role in minimizing damage to the economy and leading us out the other side. And there is an enormous potential waiting to be unlocked.

The Core Cities Group recently published a report with PricewaterhouseCoopers, *Unlocking City Growth*. In it they look at a model based on tax increment financing – Accelerated Development Zones – and pair them with Regional Infrastructure Funds. The proposal is to borrow against future income to provide major infrastructure, for example from an uplift in business rates, retaining this temporarily to pay back borrowing.

Applying the model to four live case studies from the cities, the report demonstrates that by using this approach, increases of between 50% and 80% can be achieved in housing, jobs and economic output. It also allows cities and their regions to share in the growth dividend, to get a return on their own investments, something that may become increasingly important in a different economic future. Note the significant factor here is that we are looking at investments, not deficit-increasing grants.

The potential benefits for many kinds of infrastructure, including transport, are considerable. At this time of recession and mounting unemployment, the ability to fund these kinds of schemes takes on a new significance. The combination of largely autonomous Core City Regions established across the country each with its own Regional Development Bank empowered to make loans for industrial and infrastructural needs can provide the means with which we can fight – and conquer unemployment and recession.

3. Investment: (a) Transport

The Core Cities, their Dependent Regions, and the Regional Development Banks would form “hot spots” covering the whole country, autonomous, able to act within an overall national framework yet otherwise independently, aggressively pursuing one central objective: the maximization of each region’s potential, its industrial base, its employment, its natural resources. This requires as a major prerequisite that the region should be able to act as a cohesive unit, which in turn points to a high level of inter-connectivity between the centre and the dependent towns, villages, recreational facilities, countryside and homes.

We should be looking to increase the cost and speed of connectivity while reducing our reliance on cars with their attendant pollution. This could support the broader urban development agenda, through provision of high quality integrated alternatives – buses, trams, cycling and walking – and more planning of houses, shops, schools and employment sites near one another or with good connectivity. It is vital that new housing, commercial and recreational developments be planned in conjunction with new or existing public transport routing, for the two are totally interdependent.

The current economic and environmental context should help us to build patronage for existing transport services and support the case for significant new public transport investment. Transport is only one lever of economic growth, but it is a vital underpinning factor. To allow transport models to fulfill their economic, social and environmental potential requires greater local control over the setting of investment priorities – for transport and other infrastructure – and the ability to access further financing. It also means increasing coordination across the city-region areas, through Integrated Transport Authorities and Multi Area Agreements as a beginning, and other mechanisms going further into the future. Here again, a strong sense of regional identity coupled with administrative autonomy facilitates the development of these goals.

With shared transportation playing a larger role, town scale can be humanized and centres pedestrianized with improved amenities. Central urban planning should stress compactness, the concentration of development at the core and the exploitation of unused or waste land within that area. Commercial centres

can be reinvigorated through environmental enhancement, pedestrianization, and full integration with public transport facilities.

At Stevenage and Peterborough, for example, footbridges lead directly from the station into the shopping centre, and many shoppers and office workers come in by train. Not bad; better however if the station itself formed an integral part of the shopping centre. Cambridge has a buoyant economy that attracts commuters and shoppers from miles around. But the Cambridge railway station is a mile out of town, remote from the shops, so most people come in by car. Cambridge should have left the historic centre to the University and the tourists, and concentrated shop and office development around the railway station. Lessons need to be learned.

Our overall transport strategy needs three elements. First, a national high-speed and/or fast rail grid links the major city centres. Within cities, rental bikes and small electric cars should be available at stations. Second, each city then becomes responsible for its own regional transport network, connecting the centre with surrounding communities and interlinking with the national services. Using the facilities of the Regional Development Banks cities should plan and execute their own transport network without time-wasting recourse to Westminster. Third, residential, recreational and commercial facilities and developments must be inter-linked with transport.

Britain is fortunate financially and environmentally in having many disused rights-of-way which can be returned relatively cheaply to public transport service. These can be revitalized as light rail lines, connecting towns and villages with city centres. In Holland and Germany, the concept of reviving disused rail-lines, and converting existing heavy-rail but little-used rural lines to tramways or "tram-trains" is already underway.

It is important that new public transport installations should be highly cost-effective, minimally disruptive, and environmentally friendly. Most of the available transport offerings today consist of over-weight, over-designed heavy vehicles, expensive to buy and disruptive to install. One British company, Parry People Movers, has addressed this problem with a range of highly suitable vehicles and installation systems.

In the recessionary years of 1929-31, the then privately owned American tram companies suffered a major decline in patronage. Their presidents held a conference to seek a solution, and they created a committee to develop a new generation of luxury tramcars which would attract new patronage, and being a standard model used by all participating companies, would dramatically reduce production costs. The design they came up with hit the spot, and the "PCC cars" became so successful they were copied the world over.

We need to look at light vehicles, requiring minimum depth of road foundations (thus eliminating the costly risk of disrupting underground power and water lines), battery or bio-fuelled engines for use in centres thus avoiding costly and unsightly overhead lines and their supports, giving simple, quick and cost-effective installation with minimal environmental and commercial disruption. We need one standard design, yet with modularity to permit adaptation to individual regional needs, which can be part-produced, assembled and maintained in each city region.

Apart from the importance of linking centres with the dependent regional towns and villages, regional transport should also link up with our many country footpaths, parks, rural leisure facilities, lakes, and scenic spots to provide a pleasant day's outing – as can already be found in Switzerland. Public transport can help to alleviate holiday pressure on popular coastal sites. Narrow Cornish fishing villages should be served by small, low-floor buses connecting with the regional system or serving discreet car parks on the village outskirts.

The predominating issue however, is that future planning must be public transport oriented.

Public transport must be coordinated with the commercial, residential and leisure facilities which it is expected to serve. And the regional system must be planned as an integrated whole, its different components, tram, bus, local minibus services coordinated and scheduled with one another to provide

immediate no-wait, no-step interconnectivity. This in turn requires the highest standards of maintenance, reliability and time-keeping. Well, the Swiss can do it...!

A reliable, cost-effective, inter-connecting public transport system can serve as a catalyst to encourage and develop local initiatives for urban enhancement and development, as well as generating employment in work which will enhance our competitiveness, convenience and regional functionality for the future – as well as making a substantial contribution to clean air and a more peaceful environment.

3. Investment: (b) Housing

A major element in our economic and financial demise of 2008-9 has been the phenomenal rise and catastrophic fall in house prices. Banks and mortgage brokers found ways to make unaffordable mortgages (supposedly) affordable, young first-time buyers were lured into the market, demand increased, values went up, speculators jumped in buying second and third “investment” properties, and so the balloon went up, in more ways than one.

The facts are: first, a decent home in decent surroundings is one of the foundations of a civilized society, and second, we need a core of affordable, at-cost rental, rent-to-own or leasehold accommodation which will serve first-time buyers, and can act as an “anchor”, a realistic cost foundation which can effectively prevent free market housing from becoming too full of hot air.

Regional Development Banks should provide low-cost financing for new housing, but only on specific conditions. First, local authorities should acquire land at current prices; when owners of land currently valued at agricultural rates sell at a huge, planning-generated profit to developers, the houses they build are already on the way to becoming unaffordable. Second, finance should be readily available for housing cooperatives or autonomous enterprises building at-cost housing. Third, free market developments must contain a proportion of affordable units. Availability of at-cost housing would make it possible once again for young families to afford that most basic of all needs: a decent home in pleasant surroundings.

And apart from the boost to employment, new homes have a knock-on effect as new homebuyers need furniture and fittings.

All new housing must be integrated with developing public transport, and there are many ways in which this can happen.

Despite its overall high population density, rural Britain is often sparsely populated, making life difficult for existing residents in small villages or isolated areas. New housing could take form of small new residential developments in sympathetic style around country stations, thus strengthening the viability both of the village and of the public transport which serves it.

Country stations can be developed as social centres for the surrounding area, offering perhaps a village shop and post office, a pub or café, a clinic, small multi-purpose hall, a kindergarten, and a few budget hotel rooms for walkers and tourists. In these simple ways, rural life can be strengthened, better linked with local city or town centre, tourism can be developed and employment opportunities created.

3. Investment: (c) Community

A central objective of good governance must be to ensure as far as possible a civilized life for all. And a key foundation element of a civilized life must surely include a quality, affordable home in pleasant surroundings within convenient reach of recreational opportunities and commercial facilities. A degree of stabilization in the housing market is essential if this aim is to be fulfilled.

But rising land values and rental costs in urban centres can also have a negative impact on a civilized environment. Rising land prices are economically regressive, a fact which classical economists decline to recognize. Prosperity is created by productivity, by increasing value without increasing cost. Rising land prices do just the opposite: they increase the cost of land without increasing its inherent value. And this has a similarly inflationary effect on the services using land, which become more expensive not because they are offering increased value but simply because rents are going up. "Value" in the sense of what buyers get for their money, decreases as land prices increase. This is particularly evident in major cities.

There is little or nothing in the way of goods and services which is not affected by the price of land; rising real estate prices in towns and cities affect everything from offices to retail shops, cafés, and places of entertainment. The escalation of land prices is a major contributor to the high cost of urban living. It can also cause a deterioration in urban quality of life; many of Europe's old established city cafés which have for centuries been centres for meeting and socializing are now being forced to close as a direct result of escalating rents. Likewise the demise of urban centres in the USA came about when steadily increasing rents finally reached the point where businesses could no longer afford them and moved out instead to cheaper green field sites thus creating new suburbs.

If the city or town centre is to retain or regain and develop its function as a gathering place, it will be necessary to ensure that newly developed areas in city centres, particularly areas reclaimed from public or industrial use, should be subject to price stability so that rents are economic for those low-profit uses such as public markets and cafés which provide vitality and enjoyment for users.

This could be accomplished, for example, by vesting tenure in the hands of a locally administered Urban Trust, which would then ensure maintenance and management of the facility. Regional development Banks can provide finance to equip public markets, the kind which exist in almost every French town and provide facilities for the exchange of locally made produce, thus in turn creating opportunities for cottage industry employment.

RDBs could then be called upon to finance micro-industries in villages, small loans to open a tea-room, to provide baking facilities in the village hall, or set up a small market garden. The RDBs should be able to focus on any and all opportunities, large and small, to provide investment which will create local employment. Individual homes could benefit too from loans to install double-glazing or roof insulation, work which itself provides further employment. Such loans would be repayable from savings derived through lower energy bills.

3. Investment: (d) Industry

Industry... manufacturing... actually making things... in Britain? Surely we gave up that nonsense years ago, preferring the easier life of a service economy. But the experiences of 2008-9 have demonstrated clearly that we cannot survive on the proceeds of bank gambling and escalating real estate prices.

Paradoxically, today's challenging economic conditions provide a unique opportunity for Britain. A fundamental examination of how this nation earns its living is long overdue. The credit crunch could provide the impetus we need to ask: how can manufacturing be encouraged to create wealth as part of a competitive, high-value British economy?

Manufacturing's problems began with the misguided notion that Britain should become a "post-industrial" economy: that we would focus on services and the creation of ideas, with other nations taking on the less attractive task of making the finished product. The results speak for themselves. Manufacturing now generates just 13% of GDP, compared with 32% in 1970.

The credit crisis has exposed the risks of an unbalanced economy. Our objective as a country must be to define the policy and financial mechanisms required to encourage an expansion of manufacturing as part of a more balanced economy. We have to be ruthlessly honest about both the scale of the competition we face and the focused action which other countries are already taking to promote manufacturing.

The first priority should be to stop treating manufacturing as a relic of the industrial revolution. High-value-added manufacturing brings huge benefits. It penetrates the economy of the entire country, not just London and the south-east. It pays well but avoids bewildering distortions of income. It drives and enables a broad range of skills and stimulates the growth of services. In short, it creates wealth.

The benefits are seen clearly in Derby, where around 11,000 people are employed by Rolls-Royce and a further 15,000 in its supply chain. Nearly 12% of the city's workforce is involved in high technology, the highest figure in the country, and the number of skilled employees is 2.4 times the national average. Derby's contribution to the British economy, measured by gross value added, is growing faster than that of any other city.

Manufacturing generates over three-quarters of R&D investment made by British businesses. This creates a strong technology base which opens new options for all businesses. It is a fact that almost all developed and emerging economies have well articulated plans to capture and promote this sort of manufacturing. Britain risks being the only country out of step. We need an economic route map for attracting and retaining high-value-added investment, identifying Britain's competitive advantages with ruthless honesty and prioritizing both public and private investment accordingly.

This is not about protectionism or "picking winners". It is simply an acknowledgment that most nations with these goals have a clear strategy for achieving them, with that clarity being part of their competitiveness. Britain's success in the 2008 Olympics was based on precisely the sort of competitive assessment and focused investment that we must bring to our economic decisions. It has sent a strong signal to aspiring young sportsmen and women. The same can be true of the signals sent to young people in education if we bring a similar clarity to addressing our economic competitiveness.

Britain still retains a strong industrial capability and science base. By setting the right priorities we can begin to develop a more broadly based economy, with greater resilience and stronger exports. We will see a high-value-added manufacturing sector with deep product knowledge enabling growing services, and renewed demand for science-based subjects in schools and universities. It is entirely feasible that this new direction can be set in 2009 and that today's economic difficulties can create the right conditions to catalyze this fundamental shift in attitude and policy.

Once again, we return to a strong sense of regional pride and identity to energize this objective, and to the region's development bank to provide the means.

Summary

A nation's banking system is a vital – *the most* vital part of its infrastructure. Yet we dispose of sewage more efficiently. Let the "financial sector" of investment funds, voluntarily subscribed by individual investors, do their own thing and sink or swim accordingly. But for serious banking, both day-to-day needs and the more important longterm investment needs of trade and industry, large and small, we need proper, serious banking serving and supporting its clients through a longterm commitment. This is best done on a regional basis. Autonomous regions each based around a core city, each with its own development bank, can maximize their own resources and functionality, each making its own individual contribution to a productive and prospering nation. Whether it will be done or not is anybody's guess. But it can be done, of that let there be no doubt.

References and Links

Section on industry is based on “Made in Britain”, an article by John Rose, Chief Executive, Rolls-Royce published in The Economist 2008 Yearly Summary.

Material for core-city-region sections drawn in part from CONNECTING FOR GROWTH IN CORE CITIES, a speech by Chris Murray, Director of England’s Core Cities Group, before the Light Rail Rapid Transit Forum Conference, Autumn 2008 explaining the issues facing major centres and how efficient transport is essential to success.

<http://www.lrta.org/>

Light Rail Transit Association – latest information on public transit developments from around the world

<http://www.parrypeoplemovers.com/>

British firm focused on modular light rail vehicles

<http://www.prosperityeconomics.org/DLB10Economics.pdf>

The Economics of Prosperity.

Our present economic/financial system doesn’t work. It is open to, and frequently subjected to extreme abuse, and it fails to deliver the prosperity of which it is capable. We need to fix it.

<http://www.mcc.es/ing/index.asp>

Information on the Mondragon cooperative banking and industrial complex in Basque Spain