



London's Links:

Who Benefits From London's Success?

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Summary

London's role in the UK economy has always been a contentious topic. Decision-makers in the capital argue that taxes collected in London finance public services elsewhere – while the English regions say that London receives far more support from central government in areas like transport.

There is no doubt that London plays an important role in the UK economy, and has been a key driver of economic growth. But how much of London's recent economic growth spills out to other parts of the UK? This report explores the extent to which a strong London benefits other cities and regions – looking at economic links like flows of migrants, commuters, trade, and tax. Using a wide range of evidence, the report finds that London's success primarily benefits the Greater South East – and that the biggest economic link between London and other regions is trade in goods and services, rather than redistribution of tax revenues.

Key Points

- **London's importance to the UK economy is indisputable.** The capital contributes nearly 20% of national output, plus substantial population and employment growth. London's role as a global financial and trading centre is critical to the UK's economic success. The need for investment to underpin London's on-going success is clear.
- **But the benefits of London's success do not 'spill over' to the whole of the UK. Gains from a strong London are overwhelmingly felt in the Greater South East,** which is highly integrated with London's economy. The capital's success helps Reading rather than Rotherham – and Brighton far more than Burnley. Geographical proximity and transport links determine how much individual cities and towns can gain from London's success.
- **The real story of London's links with the rest of the UK is about trade, not tax.** There is far too much focus on London's tax export to the UK – a net contribution of around £12.7bn according to the latest estimates for 2005/06



(midpoint, Oxford Economics 2007). But tax transfers are only part of the picture. Two-way trade links dwarf tax transfers: estimates indicate that London exported around £124bn in goods and services to the rest of the UK, and imported over £108bn (Oxford Economics 2004).

- **It's time to move the debate away from tax – and concentrate on ways to boost trade between the capital and the regions.**
- **Central government** should use the new regional Ministers, financial devolution, and improved information to promote trade between London and the rest of the UK.
- **Regional Development Agencies** need to use their new strategic role – and their financial resources – to enable trade with London in sectors where their regions are comparatively strong. They should also profit from London's global position, e.g. by using it as a 'gateway' to foreign investment and overseas markets.
- **The Mayor of London and other big-city leaders** should promote stronger trading links between cities – which will have a positive effect on the national economy as a whole. And **closing the power gap between London and other big cities** will help Manchester, Birmingham, Leeds and others to take the initiative to boost inter-regional trade without depending on Whitehall.

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Introduction

There is increasing consensus that economic linkages between cities and regional economies are relevant because they offer access to larger markets and the potential for specialisation. Most straightforward economic links include flows of commuters and trade between and within businesses in different locations. However, our knowledge and evidence of these links remains very limited.

This report looks at the economic linkages between London and the rest of the UK. Much work on this has been carried out by London agencies (e.g. GLA Economics 2005; Corporation of London 2004). The evidence provided in these documents suggests that the economic linkages between London and the rest of the UK are mutually beneficial. It is argued that given London's unique features – typically its highly productive financial cluster – it does not compete with cities in the rest of the UK, but with other world cities such as New York and Tokyo.

There is no doubt that London plays an important role in the UK economy, and has been a key driver of economic growth. London's economy alone represented 19% of the UK's total output (ONS 2006), 15% of total employment (LFS 2005) and 12% of total population (ONS 2005). There is general agreement that a strong London benefits the UK as a whole. The question is the extent to which a strong London benefits other cities and regions.

London agencies argue that because of its particular characteristics and its linkages with the rest of the UK, investing in London's needs benefits the rest of the country - for instance, the more productive London is the more taxation it can contribute to the Exchequer. These arguments featured in relation to London's call for central government funding for Crossrail. And have also been used by central government when arguing that the London Olympic Games will bring benefits to other UK counties and regions.¹ But this isn't always recognised in less prosperous and productive cities and regions.

London has a case for further investment: as a key driver of the UK economy, it is important to address bottlenecks that may limit the capital's growth capacity. But it is important to bear in mind that investment decisions are not neutral in distributional terms. If gains from London's growth are felt more strongly in specific regions such as the Greater South East,² then additional investment may be needed in the North and Midlands to fulfil the Government's aim to narrow the gap between regional growth rates in the Regional Economic Performance PSA.³

Examining the strength of London's links with the rest of the UK is key to understanding the extent to which growth in London spills over to regions in the rest of the UK. This report reviews the existing literature. It aims to add to this debate by providing a clear short summary of the evidence and arguments presented by London agencies; contextualising the figures usually cited so that they

1. For a discussion on the economic impact of the London 2012 Olympic Games, see Kornblatt 2006 'Setting the Bar: Preparing for London's Olympic legacy' Centre for Cities Discussion Paper 8 London: Centre for Cities at [ippf](#).

2. The Greater South East is made up of London, the South East and the East of England.

3. Paradoxically regional disparities may deepen even in a scenario where a region is better off in absolute terms due to spill-over effects from London (for example, through increased demand from London for regional products), if the benefits for an already successful region, such as the Greater South East, are much larger.

“Economic linkages between cities and regional economies offer access to larger markets and the potential for specialisation”



“The large extent to which London and the Greater South East’s labour markets are integrated may come as a surprise”

become meaningful; looking at the spill-over effects for other regions individually rather than the rest of the UK in its entirety; and giving an objective view of the evidence. It is structured around types of linkages:

- The first section focuses on economic links involving people, such as commuters and migrants
- The second section analyses business links, mainly trade
- The third section describes links related to the public sector; in particular it analyses regional spending and contributions to the Exchequer
- The fourth section briefly discusses international links resulting from London’s status as a world city
- The final section sets out some key messages and policy recommendations.

People: Commuters and Migrant Flows

How many people commute in and out of London?

Commuters to London represent a fifth of all workers employed in London. Three times as many people commute in to London as commute out of London.

Around 723,000 people commuted into London on a daily or regular basis according to the 2001 Census. Unsurprisingly, the great majority of commuters into London come from the South East and the East of England. 52% of commuters into London are based in South East England, 39% in the East, and only 9% come from outside the Greater South East (GLA 2005).

The large extent to which London and the Greater South East’s labour markets are integrated may come as a surprise: commuters to London represent 19%⁴ of all workers employed in London, 10% of the South East’s employed residents and 11% of the East’s (GLA 2005).

In-commuters to London are often employed in highly skilled professions (e.g. managerial, professional or technical occupations) within the service sector (e.g. financial services, transport and communication).

About a third as many, 236,000 people, commuted from London to the rest of the UK – around 6%⁵ of London’s total employed population (GLA 2005).⁶

4. LFS data (based on number of jobs rather than number of people employed) indicates that in commuters represented a slightly smaller proportion in 2003 -15% of all jobs in London (GLA 2005).

5. Data on numbers of commuters is drawn from the Census 2001 (GLA 2005), proportion of London employment based on authors’ calculations using Census 2001 data.

6. There is also some anecdotal evidence on long-distance commuters on a weekly or occasional basis based on Civil Aviation Authority’s air passenger data. Although figures are highly tentative, data suggests that there could be a very small amount, around 2000 – 3000 long distance commuters coming from airports in Scotland, Manchester and Northern Ireland (Oxford Economics 2004).



How much do commuters contribute to London and other regional economies?

Work by commuters into London amount to 11% of its output. In the Greater South East spending by commuters is also significant and would reach around 5% of the region's output.

GLA Economics uses a simple way of estimating the economic contribution of net commuters to London's output, by calculating the difference between workplace and residence output figures (GLA 2005). On this basis, net commuting contributed £19.1bn of output in 2003, representing 11% of London's economy. Unsurprisingly, the difference between workplace - and residence - based output for the South East and East is negative reflecting the fact that commuting to London is greater than commuting from London.

Research for the Corporation of London by Oxford Economics produced some estimates of the multiplier effects of commuting by calculating commuters' consumer expenditure and the number of jobs this supports.⁷

These estimates indicate that commuters' total expenditure in London in 2002 was about £5.9bn, 3% of London's GVA or 6% of Gross Disposable Income.⁸ The same estimate for commuters' total spending in the rest of the UK in 2002 amounted to £11.8bn – around 2 % of the rest of the UK GVA or Gross Disposable Income. The fact that commuters' expenditure in the rest of the UK is almost double reflects the fact that the total number of commuters from the rest of the UK to London, particularly from the South East, is much larger than the number of out-commuters from London.

However, we need to take into account that most commuter flows occur between London and the Greater South East. If we assume that 90% of commuting occurs within the Greater South East (an assumption based on Census 2001 data), then estimated gains from commuting would be largely concentrated in the Greater South East - £10.6bn or 5% of its GVA. And the estimated gains accrued to the rest of the UK excluding the Greater South East in 2002 would turn out to be quite small: £1.2bn or 0.2% of total GVA for this area.

Commuters' total spending is estimated to support 149,000 jobs in the rest of the UK (Oxford Economics 2004 estimates) of which 134,000 would accrue to the Greater South East, representing 2% of its total employment (again assuming 90% of commuting to/from London is concentrated in that region).⁹

7. The methodology combines data on consumer spending on different commodities with assumptions on the proportions of these commodities that commuters consume in the workplace and residence areas respectively. OE research uses the assumption that a high proportion of commuters' expenditure, 85%, occurs within the residence area and only 15% takes place within the region where people work (Oxford Economics 2004).

8. That is total expenditure in London of commuters into London, plus expenditure in London of London residents who commute to work elsewhere. Figures on the proportion of regional GVA and Gross Disposable Income that consumers' expenditure represents throughout this section are based on authors' calculations using ONS data for 2002.

9. Proportions of employment are based on authors' calculations using Labour Force Survey data for 2002. OE calculates number of jobs based on average turnover per job data.

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Is London sucking population from other regions?

No, 63,000 more people leave London for other regions, than come to London from the rest of the UK (GLA 2005).

From 1995 to mid-2003 total domestic migration to London averaged 163,700 per annum (quite a small number taking into account that London's total population exceeds 7 million) and 13% of total domestic migration in the UK (GLA 2005; proportions based on own calculations using ONS data for 2003). Migration from London to the rest of the UK averaged 226,000 - around 20% of all migration in the UK (ONS 2003). This means that London lost a net 63,000 people to the rest of the UK each year, mainly to the Greater South East.¹⁰

As in the case of commuting, it is not surprising to find that flows of domestic migrants are much larger between London and the Greater South East than other regions (GLA 2005). In addition, data suggests that domestic migration represents a small proportion of people when compared to regional population, even in the case of the Greater South East (Table 1).

Table 1. Migration flows between London and the rest of the UK

Annual Average 1995-2003	Migration to London	Migration from London	Regional Net Balance	Population Annual Average 1995-2003
South East	53,800	88,300	34,500	7,900,000
East	29,600	58,700	29,000	5,300,000
South West	16,000	22,200	6,200	4,900,000
West Midlands	11,500	10,800	-600	5,300,000
East Midlands	10,200	11,900	1,600	4,200,000
Yorkshire & Humberside	10,300	9,100	-1,200	5,000,000
North West	13,200	11,800	-1,500	6,800,000
North East	4,800	4,000	-800	2,600,000
Wales	5,300	5,600	300	2,900,000
Scotland	7,500	7,100	-400	5,100,000
Northern Ireland	1,500	2,000	500	1,700,000
Rest of UK	163,000	226,000	63,000	56,900,000

Source: ONS for migration figures (quoted in GLA 2005) and population data based on ONS Focus on London 2003. Northern Ireland Statistics and Research Agency for Northern Ireland population figures. Totals may not sum due to rounding.

10. Data for 2005 (Oxford Economics 2007) show similar patterns. London lost 89,000 people to the rest of the UK - while 158,000 people migrated to London from the rest of the UK, 247,000 migrated from London to other regions.

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Does London attract the 'brightest and best' young people from other regions?

Yes, but the readily available evidence suggests that flows of well-qualified young people into London balance out with flows of well-qualified older people moving out of London at a later stage of their careers (GLA 2005). However, further study on the extent to which the Greater South East economy as a whole is attracting qualified workers from other regions would help to clarify this contentious issue.

It is sometimes argued outside London that the capital attracts the most qualified workers, causing a 'brain drain' in those regions most in need of a skilled workforce, and therefore having a negative economic impact on some regional economies. Counter arguments are, first, that London attracts well qualified young people at the start of their careers who then migrate out of London at a later stage of their lives (GLA 2005; Oxford Economics 2004). This would provide economic gains for the regions where they move to, since they take their enhanced skills and increased wealth with them. Second, it is argued that the amount of migrants from regions other than the Greater South East is very small and therefore the impact of domestic migration is negligible.

However, the extent to which older, highly skilled and experienced people move back to their region of origin or whether they migrate to other regions, such as the Greater South East, once they leave London is unclear. The readily available data on internal migration only suggests that overall movements of people with different skills from the North and Midlands to London are small and relatively balanced,¹¹ and that most migration from London is to the Greater South East. But other evidence related specifically to highly skilled migrants points to the fact that while less prosperous cities have more difficulties in retaining this group of workers, thriving cities can easily attract them (Champion et al 2007). Thus, the extent to which the Greater South East economy as a whole, rather than London, is attracting highly qualified workers from other regions deserves further study and would help to clarify this contentious issue.

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11. Migration figures from the ONS are usually based on NHS records (the Census is the alternative source, but data is gathered less frequently). It is important to note that this data could underestimate migration flows, since certain groups - e.g. young males - may change their residence and still not re-register with the NHS.



Business to Business Links: the Case of Regional Trade

How much does London trade with the other regions?

This question is surprisingly hard to answer because there are no official data sources. But estimates suggest that trade between London and the rest of the UK (in aggregate) is quite balanced.

Experian Business Strategies (EBS) and Oxford Economics (OE) estimated the size of trade flows between London and the rest of the UK by combining information about the size of each sector in the different parts of the UK with information from the national input-output tables.¹² Considerable differences in EBS and OE estimates, most notably the fact that OE estimates for London exports are nearly 45% higher than EBS estimates, reflect the difficulties of calculating regional trade flows and emphasise the fact that these estimates should be treated with care.

OE estimates suggest that London spends £108bn in purchases from the rest of the UK and gains £124bn from sales to the rest of the UK – which gives London a positive balance of £16.6bn (2003 data).¹³ EBS (quoted in GLA 2005) reached different results: their estimates suggest somewhat smaller values for London imports (£97bn) and exports (£86.8bn) and a negative balance for London of -£10.2bn. Despite these differences both estimates show that trade contributes significantly to both London and the other regions' economies.

London Development Agency data for 2003 (quoted in Oxford Economics 2004) confirms what OE and EBS data suggest: that trade between London and the rest of the UK is quite balanced in aggregate. According to this source, purchases by London's companies, public sector and consumers from the rest of the UK equal 25% of total purchases, the same proportion of London based goods and services bought by the rest of the UK.

What does London trade with other regions?

Rather surprisingly figures show that London imports a high proportion of financial and business services and - less surprisingly - manufactured goods, while its top exports are financial and business services, distribution and hotels, and other services.

Again, there are some differences in the estimations by EBS and OE (Table 2), particularly with respect to the net balance of manufacturing and to the value of both imports and exports of services.

12. Although the government considered producing regional trade data, it has been ruled out on the grounds that it would be too costly (McVittie and Swales 2007).

13. More recent estimates by Oxford Economics (2007) suggest that regional trade in 2006 reached even higher values: while London imported goods and services worth £122.9bn from the rest of the UK, its exports amounted to £130.4bn.

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Table 2. Trade by sector

SECTORS (Data for 2003, £bn)	Sales to London (OE)	Sales from London (OE)	London net sales (OE)	Sales to London (EBS)	Sales from London (EBS)	London net sales (EBS)
Agriculture	2.8	0.0	-2.8	2.7	0.8	-1.9
Mining and quarrying	2.2	0.2	-2.0	3.7	1.2	-2.5
Manufacturing	37.3	11.6	-25.7	28.3	13.3	-15.0
Electricity, gas and water supply	3.4	2.3	-1.1	5.8	1.5	-4.3
Construction	10.4	6.8	-3.6	8.8	2.0	-6.8
Wholesale and retail trade	6.0	14.3	8.3	9.8	7.4	-2.4
Transport and communication	2.5	10.4	7.9	9.6	9.4	-0.2
Financial and business services	42.1	65.7	23.6	22.6	45.7	23.1
Other services	1.1	13.1	12.0	5.7	5.5	-0.2
Total	107.8	124.4	16.6	97.0	86.8	-10.2

Source: GLA 2005 ¹⁴

How important is trade with London for regional economies?

Trade with London represents between 8% in the North East and 18% in the South East of regional GVA.

To put these figures in context, we estimated what proportion of regional economic output exports would represent (Table 3). Trade with London appears to represent a significant proportion of economic output for most regions. The value of sales to London as a proportion of regional output would range from 18% in the South East to 8% in the North East and in general seems to fall with distance from London, although the East Midlands and West Midlands appear to do relatively well from trade with London. The furthest and least prosperous regions have the smallest trade links with London.¹⁵

OE estimates suggest that London has a positive trade balance, i.e. it exports more than it imports with all regions. However, trade with London seems to be more important for other regions than for London. The value of sales to London from all regions - apart from the South East - represents a greater proportion of regional output than the value of sales from London to the region does for London’s output. This might reflect greater international trade in London.

Although London’s trade linkages are strongest with the Greater South East, estimates - especially when we look at trade as a proportion of economic output - suggest that of all economic links, trade with London may have the most significant impact for the other regions.

14. For a more recent version of OE estimates, see Oxford Economics 2007.

15. The Centre For Cities has undertaken work on the North East economy. More specifically, it has completed a “One Year On” Report following up the OECD 2006 Review of Newcastle in the North East.



Table 3. Domestic trade by region

Region (Data for 2003)	Sales to London	As % of total sales to London	Per capita sales to London	Sales from London	As % of total sales from London	London net sales	Sales to London as % of reg GVA	Sales from London as % of London GVA
South East	£28.1 bn	26%	£3,478	£ 32.7 bn	26%	£ 4.6 bn	18%	20%
East	£16.4 bn	15%	£3,002	£ 18.5 bn	15%	£ 2.1 bn	17%	11%
South West	£10.5 bn	10%	£2,100	£ 11.8 bn	9%	£ 1.3 bn	14%	7%
West Midlands	£12.8 bn	12%	£2,406	£ 13 bn	10%	£ 0.2 bn	17%	8%
East Midlands	£8.8 bn	8%	£2,069	£ 9 bn	7%	£ 0.2 bn	14%	6%
Yorkshire and the Humber	£7.6 bn	7%	£1,517	£ 9.1 bn	7%	£ 1.5 bn	11%	6%
North West	£9.5 bn	9%	£1,396	£ 11.9 bn	10%	£ 2.4 bn	10%	7%
North East	£2.6 bn	2%	£1,024	£ 3.3 bn	3%	£ 0.7 bn	8%	2%
Wales	£4.5 bn	4%	£1,532	£ 4.9 bn	4%	£ 0.4 bn	12%	3%
Scotland	£5.8 bn	5%	£1,147	£ 8.2 bn	7%	£ 2.4 bn	7%	5%
Northern Ireland	£1.1 bn	1%	£646	£1.9 bn	2%	£ 0.8 bn	5%	1%
Total	£107.8 bn			£ 124.3 bn		£ 16.5 bn		

Source: Oxford Economics 2004 for sales from/to London. There is no official data on domestic trade by region and most recent published estimates - that we are aware of - are for 2003. Authors' calculations using ONS data for exports and imports of regional GVA and per capita terms.

Public Sector Links: Does London subsidise other English regions?

Yes, despite receiving the highest spending per head, London contributes more in tax to the Exchequer than it receives in public spending. However, this is unsurprising given London's thriving economy.

In terms of spending London receives a higher proportion of expenditure than other regions and countries (14%), followed by the North West (12%). And when we look at spending per capita, expenditure is only higher in Northern Ireland and Scotland than in London (PESA 2004/05).

Looking at London's contribution over time GLA (2005) found London's budget surpluses to be pro-cyclical, that is, positively associated to periods of economic growth. GLA also estimated London's tax export for 2004/05 to be between £1bn and £8bn – 3% of London's GVA and 1% of total expenditure (using the midpoint £4.5bn).

More recent estimates by Oxford Economics (2007) for 2005/06 also show that London's tax contributions were higher than its public spending. According to this source, London's net tax exports were around £12.7bn (mid-point or in the range £7.6bn - 17.8bn).

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These estimates are significantly higher than GLA figures due to differences in the methodology used.

In addition, OE estimates showed that for the same period, London and the Greater South East were the only regions to have a positive fiscal balance. It is hardly surprising to find that London (and the South East) has a greater capacity than other regions to raise revenue given the concentration of economic activity (corporation taxes) and high income earners (income tax).

International Links: Do other regions benefit from London's status as a world city?

Logically, London's status as a world city should benefit other regions. Soft gains include benefits from London's reputation, while harder benefits include the possibilities of London-based companies setting up branches and back office functions in other regions. But it's very difficult to measure and estimate these benefits and therefore to reach a view on their significance.

London's brand is said to benefit the other regions. For instance, businesses initially attracted to London for its reputation may then decide to set up branches and back-office services outside the capital.

London's global competitiveness as a financial centre has arguably helped financial clusters to flourish in other parts of the UK (SURF et al 2006). In addition, many companies outside London are listed on the LSE and benefit from London's strong financial services sector.

Naturally, the capital is also a gateway for tourists. Overseas tourists may be initially attracted to the UK because of London but may stay to visit other places. It is also argued that both domestic and international tourism may increase demand for goods and services produced outside London (Oxford Economics 2004).

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Conclusion and Policy Recommendations

A number of conclusions arise from the evidence presented in this paper.

Most importantly, there is no dispute that London plays a critical role within the UK economy as a whole: the strength of its financial and business services sectors has been a key driver of the UK's economic success. No one would wish to see the capital's economy weakened. London contributes high-productivity jobs, substantial population growth, and helps to support other regions by exporting some tax revenue, though the exact amount is less than clear.

But the evidence suggests that most benefits created in London are concentrated in the Greater South East. Reading gains far more from London than Rotherham, and Brighton does better out of the capital than Burnley. This is because proximity and transport links determine how cities and towns interact with the capital's burgeoning labour and housing markets (Webber and Athey 2007).

And there is far too much focus on what London exports to the rest of the country in tax. The real story is around trade, not tax. Most recent estimates show that London exported around £124bn in goods and services to the rest of the UK, and imported over £108bn. For example, London is a net exporter of financial and business services – though it also imports these from cities like Manchester, Leeds and Bristol. Conversely, London is a major importer of manufactured goods, which overwhelmingly come from the Midlands and the North.

The estimates for two-way trade between the capital and the regions dwarf those for London's tax exports. We need to move the focus away from tax, and get a better understanding of London's trade relationships with cities and regions across the UK.

So how, then, can policy and financial resources be used to enable stronger two-way trade links between London and the regions?

Recommendations for central government

- 1 Regional ministers should help to identify and promote two-way trade between their home regions and London.** Given their unique dual role as 'regional ambassadors' in Whitehall and representatives of Government in the regions, they are uniquely placed to help shape the trade and investment debate.
- 2 Whitehall departments – especially CLG, DfT and DBERR – should devolve more power and funding to local and regional economic development bodies.** The Sub-National Review of Economic Development and Regeneration recognised that "more policy and funding decisions need to be devolved from

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the centre” (HMT et al 2007). Government must now specify how it will give cities and regions greater control over funding and delivery tools – so that these can be used to support robust trade links between regions and the capital.

- 3 The Treasury should task the ONS, which it oversees, to improve data and statistics on the economic relationship between the regions of the UK – especially where trade is concerned.** The Allsopp Review identified the need for better and more comparable regional statistics – and the debate over London’s economic contribution to the rest of the UK makes it clear that more needs to be done in this area.

Recommendations for cities and regions

- 4 Outside London, use new Single Regional Strategies (proposed in July 2007), City-Region Development Plans and financial resources to support stronger trade links with the capital.** In sectors where a city or region has a comparative advantage vis a vis London.¹⁶

- Public-sector economic development money should be focused on projects that safeguard or improve that comparative advantage – e.g. better transport links, market information, and promotional assistance.
- Closer working relationships between public sector agencies and local businesses will be critical in identifying and supporting sectors where comparative advantage exists.
- And in sectors where London has an important global presence, regions should use the capital as a ‘gateway’ to international markets. Many firms’ international headquarters are located in London; other cities and regions could benefit from using these to foster new inward investment opportunities, as companies may decide to locate back office services outside the capital.

- 5 The Mayor of London and the London Development Agency should work closely with RDAs, city leaders and businesses elsewhere to promote mutually beneficial trade links.** London has been building up its links with the rest of the Greater South East and the Core Cities in recent years. It should use these relationships to discuss how cities and regions can facilitate stronger two-way trade links, both in the short and longer term.

To fully understand London’s economic links with the rest of the UK, further research is required. To measure the impact of the capital’s success on other cities and regions, better data and stronger relationships between city leaders are urgently needed. Understanding economic ‘spill-overs’ is difficult and contentious – and regional policy-makers nationwide need to work harder to produce convincing evidence about the economic relationships between cities and regions.

16. This certainly includes sectors that are complementary to London’s economy, that is, activities which London needs but doesn’t have - manufacturing being the most obvious one. It would also include trade within and between firms in similar sectors but specialised in different functions – for instance in the financial and business services sectors back office functions versus more sophisticated transactions.

“The Mayor of London and the London Development Agency should promote mutually beneficial trade links”



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