Is there a role for culture in rebalancing the UK economy?

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Abstract The UK has among the worst regional economic imbalances in the developed world, despite attempts to change this stretching back decades. Second tier (core) cities have a significant role in addressing this imbalance, as drivers of wider city regions and labour markets, although that happens best when surrounding areas also benefit, through a 'networked economy' approach rather than trickle-down. Successful cities rely on a vibrant cultural scene as part of their offer, and culture is an important economic and employment sector in its own right. Yet in the UK, public funding for culture is under intense pressure due to the programme of austerity which has diverted funds to statutory services with rising demand. The Cultural Cities Enquiry was set up to investigate innovative sources of cultural investment, and was launched in early 2019. This paper sets out the key recommendations of that enquiry, linking them to the vital importance of culture in supporting the future success of cities, as they in turn support economic rebalancing in the UK. The paper argues that a more radical approach to devolution, national locational investment decisions and alignment of resources is needed to deliver rebalancing, and that this will also deliver new sources of — and free up investment for — culture, as part of the mix of creating successful places.

Keywords: *Economy, culture, investment, rebalancing, devolution, cities, city regions*

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INTRODUCTION

The UK has had a significant problem with regional economic disparity for a long time. The Industrial Transference Scheme was introduced in 1928, followed by the Special Areas Act in 1934[1] and, over 90 years later, we have some of the biggest gaps between the economic performance of our regions of any developed nation, an issue being vigorously explored by the UK2070 Commission, led by Lord Kerslake.[2]

That commission, like UK cities themselves, argues that this imbalance is due in part to a persistently centralised system in the UK, which despite significant and positive efforts to create devolution, is still the most centralised in Europe. There is good evidence that local competitiveness is constrained within a centralised system,[3] and measuring centralisation by tax distribution, the UK does not fare well. Cities in the UK retain around 7 per cent of all the taxes raised in them, whereas in the US it is closer to 50 per cent at the local or regional level, in Germany 35 per cent and across the OECD on average 25 per cent.[4]

Cities are key to addressing this. They are levels of democracy and government in their own right, drivers of surrounding city regions and functional economic areas due to their concentrations of assets and business, on which they also rely for resources and labour. It is a two-way relationship between a city and its surrounding areas, not an argument for trickle-down economics, and instead we need to explore networked economic approaches. Look at any city and one can clearly see that not all places within a city region — and certainly not all areas within a city — are doing as well as each other, which also has to be addressed.

The answer is not, however, about treating every place the same. The evidence is very clear on this; if a town is near a city that is doing badly and is economically unproductive, just investing in the town and ignoring the performance of the city will not work.[5] The city's productivity needs to be addressed as part of a networked approach that will benefit the town too.

URBAN REVIVAL REVERSES 'DOUGHNUT EFFECT'

In several UK cities, a strong urban revival has taken place, reanimating centres and greatly increasing the numbers of people living in them, reversing to an extent the so-called 'doughnut effect', where the city centre was effectively hollowed out with the affluent moving to the suburbs. Another challenge is emerging around the future of retail, and the cultural sector may have some answers, but that is beyond the immediate scope of this paper.

Alongside increased employment and accommodation opportunities, the cultural offer and lifestyle choices of city living have in part driven this shift. Although the idea of bringing in a 'creative class'[6] to revitalise urban economies has been criticised as misunderstanding the relationship between cultural production and consumption,[7] a vibrant city centre is clearly critical to encouraging more people to live and visit there.

The relationship between culture and cities is nothing new. The great urban historian Lewis Mumford[8] hypothesised that the first cities were not built entirely — if at all — for protection, but located on seasonal festival sites of hunter-gatherers linked to ancestral burials, the 'wandering living perhaps envious of the settled dead', or just remembering a great place for a party.

Cities are in evolutionary terms extremely new: a modest 10,000 years at most compared to some 200,000 for modern humans, and only in 2008 did we reach the 50 per cent mark of the global population living in a city.[9] There is evidence that although cities can be extremely good for us, we can sometimes struggle to adapt to their demands, which is perhaps one of the reasons that cities have maintained this cultural connection,[10] finding ways to meet the deep-seated psychological needs of citizens. Sustainably successful cities of the future are likely to be the ones that remember this ancient relationship and are, partly through culture, most able to meet the needs of their people.

CORE CITIES UK — FORGING CONNECTIONS BETWEEN CULTURE, PLACE, ECONOMY AND PEOPLE

Core Cities UK — a network of the cities at the centre the ten biggest urban areas outside London[11] — understand the importance of these connections between culture, place, economy and people. They have worked together over 25 years on areas of common concern, and one of those is culture.

At a moment when cultural activity is increasingly important to the success of our cities — not just in terms of vibrancy, but also in relation to social cohesion and grass-roots cultural activity — the ability to fund it from the public purse is reducing significantly in the UK.

That was one of the reasons for establishing the Cultural Cities Enquiry[2] (CCE). Many worthy previous enquiries have explored why we should invest into culture, but stopped short at the how. This enquiry and its formidable board took on exactly that issue: during a period of sustained austerity in the UK, what innovative sources might investment come from?

Core Cities UK supported this enquiry, chaired by Dame Jayne Anne Gadhia, CEO of Virgin Money, which was also supported by Key Cities Group (a collaboration between 26 other UK cities), London Councils (the representative body for all 36 London Boroughs and the City of London) and the four UK Arts Councils (England, Scotland, Wales and Northern Ireland).

The enquiry found that the economic value of the UK cultural sectors (not including all creative industries) increased by 57 per cent between 2010 and 2017 to £10.9bn or 0.6 per cent of total UK GVA, yet over the last four years public investment into culture has fallen by 0.5bn (11 per cent), particularly from local authorities, due to austerity. Income from private sources has increased, but nowhere near enough to fill the gap, and the UK now invests less as a percentage of GDP into culture than many European counterparts: France is 0.8 per cent, Denmark 0.7 per cent, the EU average 0.55 per cent, yet the UK is 0.3 per cent — from which it gets a 100 per cent return into the economy.

We innately and statistically understand the values of culture to our lives — in its broadest sense it describes *how* we live our lives — yet, pitched against competing priorities and reduced public finances, as a sector it struggles to translate that understanding into investment. If one even slightly accepts the logic chain that in the UK we need economic rebalancing, cities are key to delivering that, and culture is crucial to cities, then one should be worried about the dwindling investment into culture.

The two other main findings of the CCE are equally alarming. First, there is strong evidence that space and support for creatives and grass-roots cultural organisations is reducing in cities quite radically, choking off innovation and young talent. Secondly, that overall the sector is generating value in local and national economies supported by public investment over decades, but much of that value is not being captured and reinvested locally to sustain the sector, and is instead returning to the Exchequer, or being dispersed through uplifts in land values through development, which in turn prices out the creatives.

IMPLEMENTING TRANSFORMATIVE PARTNERSHIPS

The conclusions of the CCE are visionary and far-reaching; one in particular — the Cultural Cities Compact — is already being implemented. This idea is based on the kinds of transformational partnerships that emerge through European Capital of Culture or similarly ambitious programmes, cohering many sectors and leaders around a shared ambition for the city and culture's role in driving that: the local authority, of course, but also universities, hospitals, business and community leadership, finding ways of delivering shared outcomes through culture and accessing new investment streams to do so. Several major cities have leapt at the idea and announcements are imminent at the time of writing.

Others, in brief, include the following:

- Enhancing the commercial skills of the sector;
- Making Gift Aid simpler, particularly for contactless donations;
- Corporate Social Venture Funds — already used successfully in social enterprise — bringing business, institutional and social investors together to create revolving door funds, using Compacts as a platform;
- Extending corporation tax reliefs to cover the whole of the cultural sector — they currently exclude literature and popular music — and help smaller organisations to access the current reliefs, which can be complex;
- Establishing a national debate on a Tourism Levy — used to a large extent globally, and about to be legislated for in Scotland, but absent across the rest of the UK;
- Exploring whether business investment districts (BIDs) investing in cultural regeneration should be able to retain a portion of resulting tax uplifts to reinvest into the area ('BIDs+');
- Setting binding diversity targets for the leadership of cultural organisations, with clear talent pathways to increase diversity of cultural producers, funded by government and flexibility in our Apprenticeship Levy;
- Build on existing models of asset portfolio management which use civic assets to create space, activity and resource for the cultural sector.

Yet there is still a long way to go. The solutions must be about supporting the sector to become more entrepreneurial in attracting investment, but also creating new mechanisms to capture the value it creates. That will not solve economic rebalancing, but it will certainly contribute to it, and without a vibrant and healthy cultural scene any modern city is going to struggle.

Alongside this, therefore, three further actions are needed.

1. The UK needs to have a radical rethink about its national locational investment decisions (for infrastructure, skills, institutions, innovation funding) and the appraisal process and economic model that underpins this. That goes for cultural investment too, although the balance for that has shifted recently, and positively. Private investment often follows public, which de-risks the local investment environment, creates infrastructure and value the private sector can capitalise on. In the UK, public investment is skewed too much toward the south east, partly because the prevailing economic model is one of 'zero sum gain', ie investing elsewhere is just moving growth from the south and not truly additional. Something subtler than a simple redistribution is required which understands the need to maintain the productivity of the south east, but going forward a different balance has to be struck, based on a new understanding of the kinds of growth we want and where we want it, new sources of investment and perhaps a different financial architecture, such as a version of the regional banking system in Germany;
2. The existing resources and the powers to go with them need to be far more devolved to the local level. This gets solutions closer to problems, creates efficiencies, but it does something else. It allows the alignment of programmes, agencies and funds, national and local, at the level of 'place', the most meaningful geography for the particular issue, which for urban areas

is generally the city region, or as near as possible the functioning labour market. That enables investment in prevention — something that has reduced significantly in the UK during post-recession austerity — and to integrate services for example for Health and Social care, keeping people out of hospital. That might not immediately sound like something that will aid cultural investment, but right now across UK cities spending on such statutory services is spiralling upwards, which vastly diminishes the resources available for discretionary services, including culture. This approach also boosts the idea of the Cultural City Compact, because culture can become a bigger part of the wider socio-economic package and solution for a place, not just seen as a recipient of funding;

3. In the UK, we have so far failed to address the underlying productivity issues of big cities and city regions, which are linked to the issues above, but also to an underinvestment (or a lack of the right kind of investment) in strengthening labour markets and infrastructure. Interestingly, big UK cities also failed to do this following the industrial revolution,[13] and were then overtaken by the competition. In considering the solutions to this, we must however also recognise another shift in the economies of the UK's second tier cities. A recent study analysed all available data going back over 40 years across all the UK core cities[14] and concluded that not enough had been done to build in resilience to, and the ability to recover from, economic shocks — and that there was at least one major economic shock every decade. During that period, London's economy has become more resilient. The things that make an economy grow are not necessarily the same as those that make it resilient, and as local industrial strategies are rolled out across the UK in the wake of the national industrial strategy, this must be a key consideration.

CONCLUSION

Cultural investment alone, without a consideration of wider job creation and labour market improvements, is unlikely to reverse the fortunes of a city[15] or rebalance the UK economy, but that does not mean it is not a key — even leading — ingredient in a complex mix of factors.

There is a huge body of evidence about the different values that culture generates, economically, socially, psychologically, yet is approaching culture from a purely economic or academic perspective the right or only way to see it in the context of good urban strategy?

Cities are experiences as well as collections of statistics and data, and ultimately, it is that experience that matters and, beyond the basics of employment and some quality of existence, makes the difference and distinction between one place and another.

We asked this question of the Board during the CCE process: try to imagine a city — successful or otherwise — without any culture, the activity that goes with that, the institutions, events, feel and buzz. No one could.

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