Steady State Manchester

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So what would we do? Towards an alternative strategy for the city region.

SSM Working Paper

by

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Table of Contents

Introduction

It is easy to be critical. We are critical of the way in which our city and regional leaders have generally tackled the difficult problem of economic, social and environmental viability. We see their approach as based on a fundamentally flawed model that puts the economy first and attempts to restore economic growth to our post-industrial city region in the context of a competitive global order. No doubt this is motivated by concern for the people of the city region, their livelihoods and the future of them and their children, but we question whether the strategies will lead to improvements in overall social, economic and environmental well-being. “So what would you do? What options would you back? What priorities would you set?”. These are fair questions. Previously we have set out ideas[1], and we'll return to some of these, but we must admit that it is not easy to produce an alternative analysis and strategy that is coherent, convincing, realistic and practical. Well, someone has to do it, so this piece tries to do just that.

First we'll define the problem, because the way the problem is defined sets the path for any solutions – get that wrong and it is hard to turn off and find the right direction. Secondly we look at some of the approaches on offer: the official Treasury/GMCA[2] model, the same model with some tweaks for inclusion and environmental benefit, and the radical reformist approaches of CRESC and CLES. Finally we make a selection from those ideas and add in some others that we think are missing to sketch the basis for a more convincing alternative strategic approach to economy, society and environment.

This paper is about Greater Manchester (and is relevant to GMCA's “strategy refresh” and to the Greater Manchester People's Plan initiative[3]), but the thinking should also be relevant to many other city regions.

Defining the problem

The way we define a problem greatly influences the choice of solution. Get the definition wrong and the likelihood is that the wrong path is taken, compounding the original problem. If we see greenhouse gas emissions primarily in terms of consumption then we are likely to emphasise consumer-based interventions while leaving untouched the overall system that endlessly drives the increased production of goods and services[4]. If we see poverty as a product of a lack of skills we are

1 In Place of Growth (2012) http://bit.ly/2egsHYR ;The Viable Economy (2014) http://bit.ly/2etd91C and various blog posts at http://steadystatemanchester.net .

2 GMCA: Greater Manchester Combined Authority.

3 Greater Manchester Peoples Plan http://www.peoplesplangm.org.uk/

4 Malm, A. (2016). Fossil capital: the rise of steam-power and the roots of global warming. London ; New York: Verso.

likely to establish training programmes without looking at either income distribution or the structural reasons for unemployment.

We define the challenge for a viable regional strategy in terms of a crisis that is at once social, economic and ecological.

The social crisis sees high levels of multiple deprivation: thousands of people and their neighbourhoods are falling out of the race for prosperity, their human potential unrealised and wasted; there is an epidemic of social and psychological stress and perhaps an increasing risk of ugly civil conflict.

The economic crisis sees gross inequality and increasing poverty for some and absurd riches for a few, while those in the middle increasingly race to stay still. Despite the shock of the Great Financial Crash, the symptoms that led to it are still there: the urban skyline may be replete with skyscrapers and cranes but as the skyline soars so does personal and household debt. The pursuit of “growth” exacerbates the inequalities, enriching some while leaving many behind. Rather than percolating to all, wealth adheres to the already well-endowed[5] or else trickles out of the local economy.

The ecological crisis sees global temperatures soaring away, already approaching 1¼ degrees above the pre-industrial level, close to the point of no return for runaway, catastrophic warming. The cause is the greenhouse gases belched out by our vehicles, flights and the factories and ships that bring us food and consumer goods, to say nothing of the military that polices the world to keep the chains for extraction of resources and value intact, making its own considerable contribution to global warming. Meanwhile at home the air we breathe is toxic due to what to a Martian might seem the bizarre practice of running internal combustion engines in the streets. Our city is deeply implicated in the crisis, both in terms of its (unacceptable) impact on global life-support systems and its vulnerability to the disruption of those systems that guarantee we have food to eat and a habitable environment.

These are the main dimensions of the problem a regional strategy must speak to. They are the realities of the world we live in, and while our

5 Lee, N., & Sissons, P. (2016). Inclusive growth? The relationship between economic growth and poverty in British cities. Environment and Planning A, 48(11), 2317–2339. https://doi.org/10.1177/0308518X16656000

region cannot change them all, it can begin to move in the right direction, showing an example to, while learning from, other places.

Solutions on offer

Here we briefly review the "official" solution, and an amended version of it. Then we consider two contributions that recognise that it is flawed and which offer alternatives. These alternatives overlap so we'll stress their more distinctive emphases. Finally we pick and mix from these while adding in our own ideas, particularly about the things that these approaches do not address.

The official story

A recent article on Greater Manchester's devolution deal characterised the core strategy as seeing

> *"... a future Greater Manchester at **the centre of a 'Northern Powerhouse**' of connected northern metropolitan areas. The stated aim is to address the UK's economic imbalance towards London and the south-east of England and **to create a second growth pole able to compete with global economic powerhouses**. It promotes **agglomeration**[6]**,** which implies **prioritising particular areas and sectors of 'strength' rather than the whole of Greater Manchester**. The implication is that Devo Manc will produce a selective rather than a comprehensive reconfiguration of Greater Manchester's infrastructure."*[7] [our emphasis]

The official strategy paper from the Greater Manchester Combined Authority makes the following key statements:

> *Addressing economic inactivity is at the heart of our strategy and goes hand in hand with stimulating growth to ensure that the jobs are created and safeguarded for people at all levels of the labour market.*
>
> *We need to create the conditions that make Greater Manchester an investment destination of choice, with all parts of the conurbation*

6 The strategy of increasing the scale of the cluster of firms and other economic actors in order that efficiencies and synergies can be realised. It also applies to the attempt to improve connectivity between different localities in a region so it acts together as one economic unit: hence the "Northern Powerhouse".

7 Hodson, M., & McMeekin, A. (2016, October). How is "Devo Manc" reshaping Greater Manchester's transport infrastructure and who is doing it? Retrieved from http://www.sci.manchester.ac.uk/library/how-%E2%80%98devo-manc%E2%80%99-reshaping-greater-manchester%E2%80%99s-transport-infrastructure-and-who-doing-it

fulfilling their potential and all residents able to contribute to and benefit from that growth.[8]

The strategy gives attention to three things:

1. Creating the conditions for growth

   Nine of the Greater Manchester Strategy's priorities are focused on putting in place the conditions which we believe will help us deliver our ambitious growth agenda.[9]

2. Supporting Business

   To stand the best chance of delivering this growth it is essential that our business support infrastructure and services are strengthened further, and are seamlessly integrated with nationally delivered services. The three priorities under this heading [and listed in the box below] *are focused on ensuring that GM's business support offer meets local needs and priorities; encourages firms to become more international in their outlook; and exploits the commercial opportunities of a low carbon economy. Taken together activity to deliver these priorities will help local businesses grow, as well as become more productive.*

3. Worklessness and skills

   ... first too many residents have low skills levels and there are high rates of economic inactivity; and second our skills and employment system is fragmented, and fails to deliver what the GM economy needs. These issues contribute significantly to the productivity gap between GM and the rest of the UK.

The corresponding priorities for these three headline areas are shown in figure 1.

8 http://www.manchestergrowth.co.uk/media/1078/gm_strategy_stronger_together_full_report2.pdf

9 This and quotes for the following two priorities come from the annual performance review, 2016. https://www.greatermanchester-ca.gov.uk/download/meetings/id/1192/06_gms_annual_performance_report

GMS1	Reshaping our economy to meet new global demands
GMS2	Delivering an investment strategy based on market needs
GMS3	Revitalising our town centres
GMS4	Creating the spaces and places that will nurture success
GMS5	Stimulating and reshaping our housing market
GMS6	Crafting a plan for growth and infrastructure
GMS7	Improving connectivity locally, nationally and internationally
GMS8	Placing our city region at the leading edge of science and technology
GMS9	Building our global brand
GMS10	Supporting business growth with strong, integrated support
GMS11	Improving our international competitiveness
GMS12	Seizing the growth potential of a low carbon economy
GMS13	Delivering an employer-led skills programme
GMS14	Preventing and reducing youth unemployment
GMS15	Delivering an integrated approach to employment and skills
GMS16	Encouraging self-reliance and reducing demand through public service reform
GMS17	Reforming health and social care

Figure 1: GMCA Strategic Priorities.

Official story plus

The strategy could be said to have little to say about poverty, inequality or the environment. Where these things are touched on they tend to be in instrumental terms: for example, priority 16 "*Encouraging self-reliance and reducing demand through public service reform*", seems to have more to do with reducing costs than reducing with multiple disadvantage. Priority 12, the only obviously "green" priority is "*Seizing the growth potential of a low carbon economy*", that is, promoting the low carbon economy in order to facilitate economic "growth" rather than for its own merit.

The draft Greater Manchester Spatial Framework illustrates these tensions very well. It proclaims "*a very strong emphasis on delivering major economic, social and environmental improvements simultaneously*"[10] but then it goes on to say,

> "*A high level of economic growth is being planned for Greater Manchester, well above baseline forecasts, taking advantage of the proposed transport investments and the numerous high quality development opportunities. This will see Greater Manchester driving growth within the North of England and providing a counterbalance to the strength of London and the South East.*".

10 https://gmsf.objective.co.uk/file/4222688 p. 11.

Some promising ideas on ecosystem protection and restoration (see the proposals in chapters that deal with *Green Infrastructure, Nature conservation, Trees and woodland, The uplands*,and *The lowland wetlands*) are again justified in terms of the global competitiveness agenda.

> *"An integrated network of high quality green infrastructure will extend throughout Greater Manchester, providing a broad range of environmental services as well as contributing to the character and attractiveness of places, supporting good health, and boosting competitiveness."*[11]

In some quarters the notions of "green growth" and "inclusive growth" have currency. They are, in our view oxymorons[12]: it is the very processes that underpin economic "growth" that create inequality and polluting emissions[13].

The things we take from the Official Story

There are positive things in the official story and these should not be thrown out with the bathwater. Despite its being constrained by the obsession with overall "growth", we applaud the stated commitments to the green economy and to protecting and enhancing the non-urban elements of the region (wetlands, woodlands, moors, etc.), and are aware of the excellent work by the Low Carbon Hub (but want to see more). Addressing the high rates of economic inactivity is of course important, but as we'll see the official strategy is not likely to succeed. And skills gaps and shortages are problematic, though we might well disagree about what gaps and skills should take priority.

CRESC: external governors and the Foundational Economy

When we wrote In Place of Growth in 2012, we suggested the concept of "The Replacement Economy" - the new or expanded sectors that would take the place of the most damaging sectors. In this our thinking was

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11 p.12

12 Impossible contradictions.

13 See Steady State Manchester. (2012). *In Place of Growth: Practical steps to a Manchester where people thrive without harming the planet.* Manchester: Steady State Manchester. http://steadystatemanchester.files.wordpress.com/2012/11/inplaceofgrowth_ipog_-content_final.pdf see also Can a 'green growth' strategy solve climate change? https://www.opendemocracy.net/uk/ian-sinclair/will-decoupling-solve-climate-change and note 5

not unlike that of the Lucas Aerospace workers in the 1970s who proposed an alternative corporate plan[14], using technology that had up to then had mostly seen military application for alternative applications for social good. It was easy enough for us to identify some areas such as local food production and renewable energy technology. It was difficult to go much beyond that, so constructing a persuasive outline of a viable economic alternative. Work, in Manchester, by researchers at the former Centre for Research in Social and Economic Change (CRESC[15]) was producing, in parallel, some concepts that begin to do just this.

CRESC starts from a critique of the dominant economic model. They point out that

> *"At present, cities and city regions in Europe and North America pursue fairly standard policy mixes of disclosed and undisclosed policies. The explicit public policy is to boost skills through education and invest in infrastructure to extend the area of agglomeration*
> *. ……. This common focus on improving skills and infrastructure is backed by a supplicant posture towards foreign firms and investors bringing inward investment. …*
> *In parallel there are the undeclared city and regional planning policies which privilege private developers of ... flats, leisure, offices and retail - through planning permissions, land deals and financial sweeteners, with no questions asked about tax avoidance, financial engineering or long term sustainability.*
> *The national context is also relevant because post-crisis austerity cuts put pressure on national settlements that* [are] *used to redistribute from successful cities and localities ..; this is reinforced by the way in which cities like London, Paris and Amsterdam have claimed national champion status.*
> *This neo-mercantilist vision is coherent but almost certainly not realisable through its preferred policy fixes. Better education and connectivity through infrastructural investment are desirable goals in themselves, and will be welcomed by private business, but these policies are not powerful levers for raising GVA[16] in laggard cities and regions.*

14 http://lucasplan.org.uk/

15 CRESC was a joint research centre of University of Manchester and Open University although some contributors were based in other places. The Manchester element is now part of the "Alliance Business School" of University of Manchester.

16 GVA is Gross Value Added, a summing of the transactions in a local economy – analogous to the national level indicator, Gross Domestic Product (GDP). It is a flawed measure of little validity for measuring economic or social - let alone ecological - well-being. It is used as the "official" standard of success: what the CRESC group are saying here is that in its own

There is no evidence that improving education [they mean training] *attracts mobile firms; there is considerable evidence that tax and other sweeteners do, but these have to get larger and larger to remain effective. As for infrastructure improvement, that is usually justified by the middle class standard of journey time saved, not the more relevant standard of fare affordability.*
Moreover, neo-mercantilist policies are generic so that everybody pulls the same levers hoping for the same effects, which must mean that many efforts at city self-improvement either cancel each other out or result in a race to the bottom with financial sweeteners to attract inward investment."[17]

CRESC argue that cities/city regions can do little to alter what they call the external governors of cities' success of decline: these governors lie in the economic and political "hinterland[18]", so London's success rests on its history as an imperial commercial centre, amplified by financial de-regulation and liberalisation from the 1980s. Manchester, whose historical development also rested on imperial power, but as the base for its manufacturing, is a typical de-industrialised rich country city and there is not a formula it can copy to catch up with London since recent (pre-Brexit?) external factors favour London and disadvantage Manchester (although these things are relative and as a provincial post-industrial centre, Manchester is less unfortunate than many other centres).

Since these external causes are not controllable by cities, CRESC argue that instead strategy should be defensive, focussing instead on what they call "accelerators and stabilizers", that are within the reach of city strategic leaders. At least in the paper quoted above, accelerators[19] are not developed as a feasible tool but stabilisers are. CRESC have, however, done considerable work on one stabiliser in particular, that of the "foundational economy[20]".

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terms the official approach does not work.

17 Engelen, E., Froud, J., Johal, S., Salento, A., & Williams, K. (2016). How Cities Work: a policy agenda for the grounded city. Manchester: University of Manchester, CRESC. Retrieved from http://www.cresc.ac.uk/medialibrary/workingpapers/wp141.pdf pp. 23-24.

18 By which we understand the current and historical structural relations within which the city is embedded.

19 In that article the accelerator concept is instead used as a resource for critique of the developer-friendly city-centre redevelopment strategies.

20 Bowman, A., Froud, J., Johal, S., & Williams, K. (2013). The foundational economy. Manchester: University of Manchester, CRESC. Retrieved from http://www.cresc.ac.uk/medialibrary/workingpapers/wp131.pdf

> *“The UK has lost much of its manufacturing but retains its 'Foundational Economy'. This is the sheltered sector of the economy that supplies mundane but essential goods and services such as: infrastructures; utilities; food processing, retailing and distribution; and health, education and welfare. The foundational economy is unglamorous but important because is used by everyone regardless of income or social status, and practically is a major determinant of material welfare. In the UK the foundational economy employs around 10 million people or 35% of the working population; whereas current industrial policy focuses on manufacturing which employs just 8 per cent.”*[21]

Critically for strategy, in times of turbulence, where the external drivers are themselves changing, the Foundational Economy is relatively resilient: foundational activities continue even during recession – people eat, get old or sick, make everyday financial transfers, wash, go to the lavatory and turn on the light, and move from place to place. It is both household expenditure and government budgets that sustain the support systems for these foundational activities. CRESC therefore suggest that strategy should build on, strengthen and reorganise these aspects of the economy.

> *“The solution is not growth, jobs and a pious hope for redistribution of income, but practical reorganisation for material security in a grounded city.”*[22]

Cities everywhere struggle to guarantee foundational services which are unequally accessed, difficult to fund under present tax regimes with their falling tax revenues (hence loose talk of Manchester's £7Bn “fiscal gap”) and widespread privatisation which has reduced public control while funding private profiteering.

CRESC are clear that each city has its particularities and this means that each approach to strengthening the foundational economy will be locally specific, but the themes of utilities, care of children and older people, and housing recur in the British context.

Does the CRESC analysis, which is persuasive, lead us to coherent proposals for Greater Manchester's economy? The approach has not been tried here but it has been used in the London borough of Enfield,

21 Summary from http://www.manchestercapitalism.co.uk/foundational-economy

22 Engelen, E., Froud, J., Johal, S., Salento, A., & Williams, K. (2016). How Cities Work: a policy agenda for the grounded city. Manchester: University of Manchester, CRESC. Retrieved from http://www.cresc.ac.uk/medialibrary/workingpapers/wp141.pdf p. 24.

another post-industrial location that has been to a large extent left out of London's boom. Experimental policy there focussed on 1) the utilities, to improve the contribution of (specifically) British Gas to local firms through a a preferential option brokered by the council, 2) food production, working with a multiplicity of stakeholders with a view to restoring the tradition of market gardening in the area to supply London's market.

However, the CRESC narrative seems largely blind to the ecological, although it does mention reduction of household, and national, energy expenditure via improvement of the housing stock, and more local food production would also be beneficial. But simply boosting the basket of foundational activities and firms would not, by itself guarantee either social or ecological viability (indeed it could harm either or both, by increasing the rate of labour exploitation and/or the material throughput of the economy[23]). Nor would it necessarily lead to greater economic viability: it could, but it needs to address more systematically the mechanisms for the creation of value in the economy to do that[24].

Our interpretation of the application of the Foundational Economy stabiliser concept to Greater Manchester would see priorities such as the following set:

- Development of a local municipally sponsored investment bank supporting mostly SMEs and social enterprises working in other foundational areas, perhaps emphasising environmentally and socially friendly sectors.
- Support of local not-for profit, co-operative and smaller, quality-orientated social care providers, for example with common services and preferred provider status, constructing an alternative to profiteering corporate firms under the new DevoManc health and social care regime (and maybe there is a Brexit silver lining with regard to current EU competition rules).

23 A similar issue to what Scott Cato called “The paradox of Green Keynesianism” - see Cato, M. S. (2014). The paradox of Green Keynesiansim. In J. Blewitt & R. Cunningham (Eds.), “The Post-Growth Project: How the End of Economic Growth Could Bring a Fairer and Happier Society.” London: London Publishing Partnership. Retrieved from http://www.greenhousethinktank.org/files/greenhouse/home/Green_Keynesianism.pdf and my discussion at https://uncommontater.net/2016/01/11/corbynomics-lets-be-sceptical-about-the-growth-rhetoric/

24 See the Appendix for some initial notes..

- Development of a sustainable and affordable food supply and distribution network, building on both the “alternative” food producers (e.g. community-supported agriculture/horticulture schemes) and the city region's significant food processing industry. One aim could be to replace charitable food banks with user-run food coops.
- Support of the renewables and energy efficiency sector along with a refurbish, extend, re-purpose, rebuild model for social and affordable low energy housing provision. This would build on one of the positive emphases of the official model, the development of the green economic sector but could also help community energy schemes access affordable start-up finance and a market.

CLES and allies: anchor institutions and recipes for a good city economy

The Centre for Local Economic Strategies has also promoted alternative approaches to the improvement of city economies. Like CRESC it is based in Manchester but has a national remit and draws on international networks. CLES has worked closely with other bodies, including the the New Economics Foundation and the CLES-associated magazine New Start.

A recent publication by CLES, NEF and New Start with Friends Provident Foundation is “*Creating Good City Economies in the UK*”[25]. This also provides some helpful starting points for our analysis here. The report identifies “ten steps” that are needed for what we call viable economies.

> *“Re-thinking the economic system and how it works for us is no longer a question of exciting ‘nice-to-have’ alternatives to a functioning mainstream. It is a question of urgently building a new, mainstream, practical economic system that actually functions well enough to provide good lives sustainably and equitably.”* (p7)

The ten steps are:

1. *System changing*
2. *A revolution in grassroots enterprise*
3. *Anchor institutions embedded in and working for the local economy*

25 Goff, C. (2016). *Creating Good City Economies in the UK*. London: New Start. Retrieved from http://newstartmag.co.uk/wp-content/uploads/2016/09/Good-City-Economies.pdf

4 *Enabling and empathic local leadership*
5 *True corporate social responsibility*
6 *Assets owned by and working for the community*
7 *Co-produced local economic development*
8 *True devolution, and a new social contract*
9 *Finance that serves people and place rather than itself*
10 *A more effective set of measurements of a successful economy*

Some of the proposals are more about the wider, and national level, institutional supports that will be needed for such initiatives to work while others are perhaps more about the general orientation and attitude required. We agree with the broad sweep of these areas and particularly note points 6, 7 and 8 which potentially (not inevitably) mean greater economic and political democracy, in contrast to the secretive elite "deals" that so far have characterised not just city-regional devolution but also the overall economic development agenda. Here we will focus on a concept that CLES has distinctively promoted, point 3 in the list, *Anchor institutions embedded in and working for the local economy*.

CLES has also published a study of Anchor Institutions based on action research with Preston council[26]. Anchor Institutions are introduced as one of four key elements in Creating a good local economies (the others are local economic democratisation, using the potential of local procurement and co-operative creation):

> *"There is already an array of capital in financial terms available in our places. Whilst large corporations provide some of the capital there are other large, often public organisations which create jobs and purchase goods and services. We define these organisations as 'anchor institutions'; an anchor institution is an organisation which has a key stake in a place. It will have significant levels of spend and numbers of jobs, and is extremely unlikely to leave due to market forces. Anchor institutions typically include: local authorities, universities, further education colleges, hospital trusts, and housing organisations."* (p. 7).

This is consistent with our own thinking on using the wealth that is located locally to invest in local pro-environmental and pro-social development, rather than following the path of dependence on capital external to the city or region[27]. The work CLES has done with Anchor Institutions in Preston (also Manchester and Belfast) has focussed chiefly

26 Jackson, M. & McInroy, N (2015). Creating A Good Local Economy: The Role Of Anchor Institutions. Manchester: CLES. http://www.cles.org.uk/wp-content/uploads/2015/04/Anchor-institutions.pdf

27 See Appendix to this paper.

on their role in procurement of goods and services. They demonstrate their positive impact on local employment and value retained locally. Similar thinking underpins our earlier work on pay inequality in local government and its supply chains[28] and the requirement of the Living Wage Campaign that accredited Living Wage employers also mandate Living Wage in their supply chains[29].

But there are other aspects to the role of Anchor Institutions: Jackson and McInroy suggest that this could focus on two areas: local financial enabling and local ownership enabling.

The thinking on Anchor Institutions has commonalities with the CRESC concept of the Foundational Economy (cited in "Creating Good City Economies"), but is rather more restricted. However it should be seen as part of a broader framework that is emerging from the work of CLES and its partners. Perhaps the proposals and emphases of both CRESC and CRESC tend to rather reflect their recent fieldwork, and this is not surprising since it is in these case studies that the practical detail can be found to operationalise the more abstract concepts.

We endorse the emphasis on Anchor Institutions but (with CLES, we think) recognise that it is hardly sufficient to realise the scale of change necessary to manage transition to a Viable Economy.

Our reading of how to extend the CLES, Anchor-centric approach in the Greater Manchester context would suggest:

- Councils as facilitators and catalysts for community initiative, rather than as its controllers. Experimentation with new forms of democratic accountability[30].
- The Greater Manchester Pension Fund (a significant financial anchor institution) redirecting a sizeable proportion of its £1.3Bn investments from fossil fuels to the local economy, with emphasis

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28 https://steadystatemanchester.files.wordpress.com/2014/03/in-place-of-pay-inequality-steadystatemanchester-equalitynorthwest-2014-final.pdf

29 http://www.livingwage.org.uk/how-become-living-wage-employer

30 There are interesting models for this fro mthe global South, not directly transferable maybe, but offering key principles: e.g. Thomas Isaac, T. M., & Franke, R. W. (2002). *Local democracy and development: the Kerala people's campaign for decentralized planning*. Lanham, [Md.]: Rowman & Littlefield; Abers, R. N. (2000). *Inventing Local Democracy: Grassroots Politics in Brazil.* Boulder, Colorado: Lynne Rienner.

on environmentally and socially beneficial areas that yield a return to continue its primary responsibilities of paying pensions[31].

- Universities as citizen resources, open to all, offering free and low cost consultancy to non-profit and small-profit initiatives, courses on environmental, economic and political literacy, and pursuing a research agenda that is at once locally responsive and internationally reputable. Tapping all the resources of Universities, not just education and research but facilities and networks.
- Schools as community hubs – revisiting and developing the extended school model (or that of North Manchester's Abraham Moss Centre in its heyday).
- The National Health Service and its institutions, in addition to a much more local procurement strategy, supporting a wide programme of community-based enterprises and activities that promote, good diet, better housing, exercise, connection to nature and waste reduction as an integral part of its employment package.
- For each Anchor, devise incentives for employees to live locally.

Building on the best and addressing the gaps

The things we take from The Official Strategy, CRESC and CLES

The approaches set out by both CRESC and CLES (along with elements of the Official Strategy too) are really helpful in thinking through what needs to happen to move towards the Viable Economy. We have already indicated how we might apply these frameworks to the goal of the transition to viability in Greater Manchester. But do they add up to the strategy we need? What is missing from these contributions?

The missing bits

For us, the following areas are, if not absent, then relatively underdeveloped in the CRESC and CLES accounts. By adding these considerations could we arrive at a more comprehensive strategic approach, adequate to the scale of the challenge? The areas for further

31 It covers most local government employees and a number of other employing organisations in the quasi-puiblic and voluntary sector. See http://fossilfreegm.org.uk/

development are: *Re-localisation*, *Serious climate change mitigation and adaptation*, *Internationalism*, *Redistribution* (nationally and locally), *The Productivity Myth, Exchange* and *The informal and "subsistence" economy*.

Serious climate change mitigation and adaptation

Climate change is the central issue of our times. It is true there are other extremely serious and urgent challenges, but it is climate change that has the capacity to sweep all before it. With mean global surface temperatures near 1.25 degrees C above the pre-industrial level and with the symbolic threshold of 400 ppm. of Carbon Dioxide in the atmosphere it seems likely that we are at or near the point of no return for runaway global warming with no more than 5 years left of carbon emissions at the present rate if a 50% chance of a 1.5 degree rise is to be averted.

It is not surprising then that there is some mention of environmental sustainability and climate change in many strategy documents and discussions now. However, in most cases the issue is a subsidiary one, subordinate to economic "growth" (itself the chief cause of global warming[32]), and the measures put in place to deal with it are typically characterised by inadequacy and wishful thinking.

Some orthodox economists do argue that climate change needs to be central. Lord Stern argues that this will save money in the long run while boosting economic growth[33]. We have exposed the limitations of that view[34] and instead take a different approach: **serious attention to both preventing and responding to climate change must become central to the economic strategy of the city region**. That means a managed reduction in the material size of the economy and a particular focus on energy demand reduction and the replacement of fossil fuels. The logic of this approach extends into all areas of economic and social strategy. To illustrate the kinds of things that could be done:

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32 IPCC report, 2014: summary for policymakers. http://report.mitigation2014.org/spm/ipcc_wg3_ar5_summary-for-policymakers_approved.pdf

33 He has reiterated this argument 10 years on from the original report: https://www.theguardian.com/environment/2016/oct/27/10-years-on-from-the-stern-report-a-low-carbon-future-is-the-only-one-available? Where we do agree with him is in the emphasis on the critical role of cities in climate change mitigation and adaptation.

34 https://steadystatemanchester.net/?s=decoupling

- GMCA should adopt a radical energy descent plan, which will require targets for domestic, industrial, and transport energy use. This will mean agreeing plans with large organisations and publishing the results on an annualised basis. It might be possible to pilot a resource input cap, or cap and share scheme as part of this[35].

- Expansion of the airport should be frozen and plans made to reduce the dependence of GM local authorities on revenues from the Manchester Airport Group.

- People should be offered help and incentives to choose lower carbon options for heating and travelling. For example via subsidised energy survey and supplier accreditation services[36] or by brokerage of job swaps across the region to specifically reduce commuter time and miles.

- All Anchor Institutions should divest from fossil fuel stocks and have agreed plans for energy reduction.

- Assertive policies are needed to discourage the use of private cars in urban areas – car parking levy on employers, taking car parks out of use, congestion charging and using the proceeds to fund public transport and pedestrian/cycle infrastructure.

Re-localisation

In the report that launched SSM we said:

> *"To meet the twin challenges of planetary limits and accelerating resource scarcity, we need to look at a strategy for re-localisation of the economy. This means arranging production, distribution, ownership of means of production/assets, trade and enterprise so that much more of the economy is localised within the city, and the surrounding bioregion."* p. 24.

Localise West Midlands defines localisation in terms of,

- *Local trading, using local businesses, materials and supply chains*
- *Linking local needs to local resources Development of community and local capacity*
- *Decentralisation of appropriate democratic and economic power*

35 http://www.feasta.org/documents/energy/Cap-and-Share-May08-summary.htm

36 http://www.greenhomesconcierge.co.uk/your%20home

- *Provision of services tailored to meet local needs.*[37]

Localise WM's extensive literature review[38] found evidence that more localised economies had superior indices of return on investment, quality of life, jobs per capita, income equality, the local multiplier, job creation and unemployment reduction, and income growth.

Despite the evidence there seems little enthusiasm for a strategic localisation of the economy among orthodox economists and leaders. In the work of CRESC and CLES cited above , there are elements of such thinking (for example, playing to the strengths of the local economy and favouring local workers and firms) but it is not a central emphasis. As we point out elsewhere,

> *The viable economy uses the concept of strategic localism which means that things that can be sourced locally should be. ....This means not just playing to the strengths of local economies but actively building those strengths. It does not mean turning our back on the world, but playing a responsible part in the world while becoming locally more sufficient. Finally it means living in greater knowledge of our own bio-region, its strengths, its delights and its vulnerabilities.* (p. 12)[39]

We therefore argue that **a viable alternative economic strategy needs to include an explicit strategy for localisation** as a way of stabilising and strengthening the local (viable) economy. There are already elements of localisation in existing strategies and the proffered alternatives: the need is to make localisation a cornerstone of the strategy which will also help in addressing the issues identified below.

Internationalism

We have reviewed this question before[40], arguing on both moral and economic grounds against the idea of positioning the region to compete in a global economy, chasing external investment, and offering incentives to rent-seeking and footloose corporations. A growthist

37 http://www.localisewestmidlands.org.uk/about/

38 Localise WM (2012) Mainstreaming Economic Development for inclusiveness, diversity and equality: Literature review http://localisewestmidlands.org.uk/wp-content/uploads/MCED-literature-review-final-Jan-2013.pdf Summary http://localisingprosperity.org.uk/wp-content/uploads/2014/05/MCED-Why-Localising-Prosperity-Works.pdf

39 The Viable Economy. https://steadystatemanchester.files.wordpress.com/2014/11/the-viable-economy-master-document-v4-final.pdf

40 In our publications *In Place of Growth, Living Well* and *The Viable Economy*. https://steadystatemanchester.net/our-reports/

agenda inevitably feeds the extractivist industries of the global South with their consequences for human rights and ecological devastation[41].

> *"The de-linking of Manchester's economy from the global economy has to happen with one eye on our local communities and another on the underprivileged communities that the global system of trade currently has in its fold. As such, one important question that we have to answer when looking at steady-state economies is: how do we manage the transition to steady state in ways that minimises exploitation of people of the global South, and also minimise the shocks to their economies and livelihoods?"*[42]

An alternative economic strategy could, for example,

- Measure and monitor the scale of imports to the region.
- Establish co-operative arrangements with producers of selected products elsewhere (tea, sugar for example), ensuring just terms of trade while reducing transaction costs. This would build on but go beyond Fair Trade so that the key institutions and industries of the region all pursue Just Trade in their procurement and trading relations. A Just Trade mark could be developed to aid in this.
- Discourage wasteful trade contraflows (e.g. dairy products exported and imported)[43].

Local and national redistribution

Redistribution is an integral part of the kind of alternative economic approach we are proposing. It has two relevant aspects for this discussion.

National redistribution

Mainstream discourse about Greater Manchester devolution makes much of the so called fiscal gap. That is the £6 to 7 Billion gap between government expenditure on the city region and the revenue raised from

41 https://steadystatemanchester.net/2016/03/07/murderous-economy/

42 Living Well: Practical Solidarity and Steady State Economics (2012) https://steadystatemanchester.files.wordpress.com/2012/11/living-well-report-ssm-final.pdf

43 Product contraflows (our term) take at least two forms. 1) Products (e.g. non-speciality cheese) are produced in area A and sold in area B while identical or equivalent products are produced in area B and sold in area A. 2) A product (e.g. milk) is produced in area A, processed in area B and then taken back to area A for sale and consumption. For some shocking examples see the NEF Interdependence Report at http://web.archive.org/web/20060417150849/http://www.neweconomics.org/gen/uploads/f2abwpumbr1wp055y2l10s5514042006174517.pdf

taxation in the region. This is seen to be a problem but it is far from being such.

Firstly, all national economies have a recycling mechanism whereby richer regions support poorer regions. London has always been a centre of accumulation for the surplus generated elsewhere. In the phase of British industrial capitalism, it was the labour of people in this region (and others) that enriched the capital. At present, as a consequence of the policies of the last thirty and more years, London has a hyper-developed economy largely based on the financial institutions of the City of London (but also aided by the property speculation bubble). In an era where everything is subject to unexpected change this wealth might not even last (at least at the present levels) and it is not something to be hoarded down there, but shared with the citizens of the country.

The fiscal gap, however, is based on a misunderstanding: the reasonable sounding idea that government expenditure is based on taxation. As post-Keynesians have demonstrated, the reality is different: government spends and then taxes and can indeed spend whatever it wishes, managing any untoward consequences through the powerful macro-economic lever of taxation[44].

The fiscal gap is a fiscal trap: it is a very big mistake indeed for political leaders and actors in Greater Manchester to fall for it. On the contrary our leaders need to lead a broad-based campaign for national sharing of resources, building a movement against public sector cuts (rather than complaining and then implementing them) and for appropriate government capital and revenue expenditure.

Local redistribution

When an economy isn't growing, either because of positive degrowth/steady state policies or a result of stagnation, it forces the question of distribution into the open. Since there is not longer the illusion that all boats are rising there is more interest in income and wealth equality. **A credible regional strategy needs a local strategy for redistribution**. While the policy levers available to a city-region are limited, there are things that can be done.

44 See for example, Lawn, P. (2010). Facilitating the transition to a steady-state economy: Some macroeconomic fundamentals. *Ecological Economics*, *69*(5), 931–936. https://doi.org/10.1016/j.ecolecon.2009.12.013; Tcherneva, P. (2001). Money: a comparison of the Post Keynesian and orthodox approaches. Oeconomicus, IV, 109-114. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.194.6435&rep=rep1&type=pdf

- Organisations, public and private can be encouraged to pay the Living Wage as a minimum, using the both hard power of procurement and the soft power of agenda and consensus-shaping.
- Maximum salaries and pay ratios can be defined, implemented (and kept to) and also mandated through the supply chain.

But beyond these approaches, there is scope for greater innovation, for instance,

- Could the GMCA issue a non-sterling backed local currency as a supplement to people living below certain income levels (see next section), effectively establishing its own local benefits system?
- Could a similar approach be tried with a jobs guarantee[45] (in return for doing jobs that need doing in the local neighbourhood) or a form of basic income?

These are the kind of adventurous policy experimentations that would make city-region devolution worthwhile.

Taking together national and local redistribution with a principled internationalism, the city region could carve out an enviable reputation for social and economic justice.

The productivity myth

The other "gap" that is frequently mentioned in official regional discourse is the "productivity gap". There are a number of things going on here.

Firstly, the concept (as ratio between hours worked and economic output for the working age population) is used to bemoan unemployment and worklessness. The logic is spurious since comparisons are made with more favoured regions that with lower rates of unemployment, by this definition, (trivially) have higher "productivity"..

Secondly, within an industry, the notion is applied as a ratio between hours worked and economic output. You can see where this leads: reduce the number of workers to increase efficiency (and paradoxically, increased productivity leads inexorably to reduced profitability as any Marxist can explain). So the drive to increase this kind of productivity runs counter to the drive to reduce unemployment.

45 Alcott, B. (2011). Should degrowth embrace the Job Guarantee? *Journal of Cleaner Production*. https://doi.org/10.1016/j.jclepro.2011.06.007

Thirdly, the other factors are brought to bear – for example the creaking transport system and the low level of training among the workforce are said to reduce productivity, rather than being evils in themselves.

Finally, the notion of labour productivity is applied to fields where it often makes little sense. In health and social care, for example, it is advisable to have some “slack resources” rather than the service being run flat out with squeezes on training, review, handovers, and the time to care with kindness and attention.

A strategy for a viable city regional economy should celebrate low productivity. It should seek to make sectors more, not less, labour-intensive (which need not mean longer working hours since there is a pool of labour to be absorbed) except where machinery and automation can reduce unpleasant and unnecessary drudgery.

We all should be careful not to be taken in by the productivity rhetoric any more than by the rhetorics of growth and competition: to do so is to succumb to mindless and heartless economic rationalism.

Exchange

Traditional economics has minimised the importance of understanding money as an integral part of the economic system. An understanding of money, drawing on heterodox economics[46], leads to the insight that there is not a fixed amount of money available, and it shows that State budgets do not function like household or company budgets. Moreover, most money is created through the process of lending by banks. This is not the place to explore these insights and their background theory, or the inevitable controversies. However, we can draw out some implications.

1. It is entirely possible for the local State (e.g. metropolitan councils or the combined authority) to establish or sponsor parallel, or

46 There are helpful and complementary treatments in these texts: Lapavitsas, C. (2013). Profiting without producing: how finance exploits us all. London ; New York: Verso.; Lietaer, B. A., Arnsperger, C., Goerner, S., & Brunnhuber, S. (2012). Money and sustainability: the missing link: a report from the Club of Rome-EU Chapter to Finance Watch and the World Business Academy (First edition). Axminster, Devon, United Kingdom: Triarchy Press. Retrieved from http://www.money-sustainability.net/read-the-book/; Pettifor, A. (2014). Just Money: How Society Can Break the Despotic Power of Finance. London: Prime Economics. Retrieved from http://www.primeeconomics.org/?wpsc-product=just-money-how-society-can-break-the-despotic-power-of-finance; Tcherneva, P. R. (2001). Money: A Comparison of the Post Keynesian and Orthodox Approaches. Oeconomicus, 4, 109–114.

complementary monies[47]. There are some choices to be made in doing this or which the most critical are,

- Should the complementary currency be linked to sterling?
- Should the quantity of such money be limited or open ended?
- Should the money have a limited shelf-life (demurrage)?
- Could it be used in payment or part payment of local fees and taxes

It would be feasible to establish a Greater Manchester Unit of Currency (the GMUC) which would circulate within the conurbation. It would be available to small enterprises in the form of micro-credit and could be used entirely or in part payment in transactions, including council rates, taxes and fees. This would increase the availability of finance for green and social business, would provide a source of liquidity for people disadvantaged in the dominant money economy and crucially would help prevent the seepage of wealth out of the region. The GMCA could usefully mount a review of existing schemes (Bristol, Hull, Brixton etc. and international ones such as the Palma and WIR) and evaluate the feasibility of options[48].

Having explored a number of options for establishing alternative financial and exchange innovations, SSM is involved with other organisations in piloting non-monetary exchange schemes with the dual aims of making available under-utilised assets in the mainstream economy to people who are money-poor while recognising voluntary action in the community.[49]

2. GMCA could usefully promote and support credit unions, time-banks and other alternative financial and exchange institutions.

3. GMCA could also consider establishing its own social and environmental business investment fund, possibly linked to a public, municipal or community banking institution.

Undeclared economies: hidden, informal and "subsistence".

What we call "the economy" is only part of the human activity that involves giving, caring, helping, exchanging, providing, reaping and sharing. In "advanced" capitalist societies it is true that more and more

47 For an overview of the legal and regulatory issues see http://community-currency.info/en/?smd_process_download=1&download_id=30668

48 We already have relevant material.

49 https://greatermanchestersharingplatfrom.wordpress.com/

of these activities are subsumed within the economy – indeed in the sphere of health care it was only in the late 1990s that the system of health care in the UK began to be termed (within certain sectors of the NHS) the “health economy”. That shift tells us rather a lot about the societal shift to an economic rationalist logic: the Atlee government didn't cost its establishment of the NHS before setting it up and it abolished most market exchange in healthcare by doing so.

That which is generally understood to be “the economy” is supported by activities that are not exchanged for money. Public provision (for example of education) is one obvious example but so are the activities of cooking for one's family, playing with children, even shopping for a grandparent. Other activities are conducted outside the “economy” but the people doing them nevertheless obtain value from them: blackberrying, or informally bartering goods and services, volunteering and all community activity are others.

There is then a web of activities that are variously,
a) monetised and exchanged, but hidden from official view: the hidden economy in which positively speaking, people make ends meet and aid one another, and negatively speaking may avoid taxation and regulation; or
b) monetised but not exchanged (the remaining “social wage” public services), or
c) not monetised, being part of everyday life, but provide human resources for the economy (bringing up children, cleaning the house, cooking in the evening) or
d) not monetised but potentially could be (fixing a neighbour's gate, babysitting, growing fruit and vegetables in an allotment or garden).

The table summarises these aspects of an extended economy.

	Not Monetised	Monetised
Not exchanged	c) elements of “core economy” - freely given.	b) Social wage (free, universal public services, broadly defined, and social security).
Exchanged	c) elements of “core economy” that involve some explicit or expected reciprocity.	a) Hidden economy c) elements of “core economy” that could be appropriated as commodity.

The “Civil Economy” (that part of the economy co-existent with the community and voluntary sector), explored in a recent report by CLES and Manchester voluntary sector umbrella organisation, MACC[50], occupies the two left and the bottom right quadrants.

Should an “economic strategy” consider these various activities that are in their way economic and which are the spinal supports for people's everyday life and for the official economy itself? They also provide an additional lifeline for many people who rely on mutual aid, free goods, or the “informal economy”. Moreover, their consideration also brings to the fore the gendered nature of not only these undeclared aspects of the economy but of the economy as a whole: changes in these areas disproportionately affect women, on whose unrecognised labour the economy (and society) as a whole relies upon.

A viable Greater Manchester economic strategy could support these activities (sometimes called the “Core Economy”) in a variety of ways. It will be important to do so without getting in the way of (colonising) them[51]. Some ways this might be done could be:

- Provide affordable child care, for example via cooperative arrangements that meld public funding with hours contributed by parents using the resource. Such schemes would become more

50 https://www.manchestercommunitycentral.org/civileconomy

51 See Coote, A. (2014). P*eople, planet, power: towards a new social settlement*. London: New Economics Foundation. http://www.neweconomics.org/publications/entry/people-planet-power-towards-a-new-social-settlement; Lone, A., & Silver, D. (2014). *White Working Class Communities in Manchester*. New York: Open Society Foundations. http://www.the-sarf.org.uk/wp-content/uploads/2012/01/white-working-class-communities-manchester-20140616.pdf

financially robust if working hours were to be reduced[52] and if the local State could provide assistance, for example via cheap accommodation.

- Provide or facilitate the provision of community centres and hubs with affordable room hire: this would support a variety of activities from parent and toddler groups to rehearsal space for musicians. Many of our neighbourhoods lack such buildings. Encouraging community groups to nominate existing buildings as assets of community value is one enabler but there are many practical obstacles in the way of realisation of such spaces: more help is needed from public bodies.
- The encouragement of non-monetary exchange schemes, such as time-banks, and of complementary currencies not pegged to the pound, would help release resources to support the many activities of the informal and core economies.
- One important change in attitude will be an easing up on the official culture of surveillance and distrust, for example in relation to benefits. What does it matter if people mix and match from a menu of benefits and cash transfers for services rendered? It makes little difference to public expenditure but can be a contribution to community economic resilience and prosperity.

The "neoliberal period saw a change in the model of public authorities from the paternalistic "we do everything" model to one of commissioner and market enabler. We know that model to be highly flawed, often acting as little more than a way of channelling public wealth into private hands. But a redefinition in terms of community enabler, sometimes leading, more often following community initiatives, would be a welcome change for post austerity Greater Manchester, one that would build on initiatives and new thinking from innovating authorities in the city region.

Conclusion

This is work in progress. Our intention is that this forms the basis for a more concretely policy-focussed pamphlet that speaks directly to the

52 NEF argue the case for a 21 hour week. We made similar proposals in our *In Place of Growth*. Changes to national policy would greatly faciliate this but local initiatives could help – councils for example becoming "right length working time" employers.

Greater Manchester Combined Authority and its Mayor, before and after the 2017 Mayoral election. We would also like to continue developing this strand of work in dialogue with critical friends and allies. In that spirit we welcome feedback and suggestions via the email address on the front page.

Appendix: Where will the money come from?[53]

Steady State Manchester (SSM) has promoted what we call *endogenous (local) economic development* in the context of possibilities for funding a viable economy. We have consistently criticised the notion that we have to compete with other economies world-wide. A key idea within that is that we need to attract external investment in order to develop those sectors of the economy we want to strengthen.

We aren't against selectively developing some sectors of the economy[54] – especially those sectors that help re-localise production of the things we need (e.g. food, textiles, household goods, etc.) and that help to reduce the material demand of the economy on the 'resources and sinks' of the planet. But we question the emphasis on inward external investment to get this going. Instead we have used the term 'endogenous development' to identify the alternative approach. In this piece we explore what this means in some more detail.

Some background to the concept.

Endogenous development is a term that has been used before, although not always with the same meaning. Notably, the late President Hugo Chávez of Venezuela suggested it as a key approach for reducing the dependence of their economy[55]. There though it tended to mean the use of State revenues (largely from oil revenues), to support national industry, both on a large scale and via local co-operatives[56]. There is also a technical term 'endogenous growth theory' in mainstream economics[57] – Gordon Brown was widely mocked for referring to it, but this idea differs from what we are discussing here, emphasising as it does the role of internal factors like government support for human capital to facilitate conventional economic growth. Our concept is distinct from these.

In the glossary to In Place of Growth, we said:

> *Endogenous development means development from within – in this case from within the communities of the Manchester-Mersey bioregion. It must be stressed that endogenous development does mean a change of emphasis from global competition to relative regional self-reliance. It*

53 An edited version of "Where will the money come from? Endogenous economic development for the viable economy". May, 2014. https://steadystatemanchester.net/2014/05/12/where-will-the-money-come-from-endogenous-economic-development-for-the-viable-economy/

54 https://steadystatemanchester.net/2013/07/29/what-do-we-mean-by-post-growth/

55 http://www.monografias.com/trabajos81/economia-social-modelo-desarrollo-endogeno/economia-social-modelo-desarrollo-endogeno2.shtml

56 Lander, E. (2014). Venezuela: terminal crisis of the rentier petro-state? http://www.tni.org/briefing/venezuela-terminal-crisis-rentier-petro-state

57 https://en.wikipedia.org/wiki/Endogenous_growth_theory

means creating, sharing and using wealth locally and not depending on inward investment – the model that became dominant during the height of neoliberal madness.[58]

Where has money for investment come from historically?

This is the key question for understanding endogenous development in a specific economy. For our purposes here, 'an economy' means something like the regional economy (which can be defined in various ways, say the North West, or Greater Manchester – we prefer to think in bioregional, or eco-regional terms).

Money for investment can come from four different sources;

1. ***Surplus internal to an economy.***
   All economies (other than, perhaps some hunter-gather ones) generate surplus. That is the basis for human settlements and the increasing complexity of society throughout history. Surplus is simply wealth that is stored. However *we can distinguish between fair and unfair surplus*[59]. As Karl Marx revealed, the theft of surplus value from workers is the primary basis[60] for accumulation in capitalist systems like ours.

2. ***Surplus from other economies.***
   This takes two forms.
   1) What David Harvey calls *accumulation by dispossession,* Marx called *primitive accumulation*[61]. Historically the theft of resources from the Americas under colonisation was the source of inward investment that allowed the emergence of Europe from its backwardness and the establishment of the capitalist system itself with the dominance of Europe and North America in the global system. The enclosure of the commons here in the UK was another important phase of this accumulation by dispossession. But there is continued accumulation by dispossession throughout the world as public assets are privatised, and commons (including water, forest, minerals under people's homes) are enclosed and commodified.
   2) Imbalances in economic and political power also lead to more subtle flows of money from weaker regions to stronger ones. Trade rules and the proceeds (rent) from capital investment create such flows. Examples

58 https://steadystatemanchester.net/our-reports/

59 Here we are concerned with the production of surplus. Its distribution is typically unequal.

60 Since the middle of C19, together with the exploitation of fossil energy. Malm, A. (2016). *Fossil capital: the rise of steam-power and the roots of global warming*. London ; New York: Verso.

61 Harvey, D. (2010). The enigma of capital : and the crises of capitalism. Oxford; New York: Oxford University Press.

are the transfers from economies of the global South to the global North[62], from the rest of the world to the USA[63], from the peripheral economies of Europe to Germany[64], and from the UK regions to London and the South East[65]. All of these lead to the availability of extra finance in certain economic centres.

3. ***External investment from another economy***.
   Capital is footloose, going where it can to obtain the greatest return. UK capital has leaked out of the country into property speculation and financial derivatives worldwide, and historically it invested in the industrialisation of other countries. At the same time, foreign capital is invested in the UK and it is the drive to obtain some of this action that underpins the obsession of Greater Manchester's economic elite with China and trophy projects like Airport City. It is hoped that some wealth will trickle down and be retained in the local economy, but we know that capital can come it can go, as it is only here to maximise its returns. So the question is, how sensible a strategy is this for the pursuit of true local prosperity?

4. ***Fiat money***
   Nothing to do with Italian motor cars, fiat money is money created at the stroke of a pen, or electronically. Setting out how such 'bank money' functions was perhaps John Maynard Keynes's biggest contribution to economics. But nevertheless it is real. Government created millions (via the Bank of England) for the bank bailouts and for reflation via 'Quantitative Easing' as the Bank of England has explained. Sadly this new money, which could be a vital resource for protecting the welfare system and restructuring the economy on low carbon-low energy lines[66], has not had many positive social or environmental impacts other than making the recession less severe than it might otherwise have been. The second, and bigger, source of fiat money is that created by the banks[67]. Money is created in this way every time a loan is made – for example

62 Amin, S. (2010). The law of worldwide value. New York: Monthly Review Press.; Dussel, E. (2014). 16 tesis de economía política: interpretación filosófica. Mexico City: Siglo XXI.; Shutt, H. (1998). The Trouble with Capitalism: an Enquiry into the Causes of Global Economic Failure. London: Zed Books,.

63 Varoufakis, Y. (2011). The global minotaur: America, the true origins of the financial crisis and the future of the world economy. London ; London: Zed Books.

64 Varoufakis, Y. (2015). Europe After the Global Minotaur: Greece and the Future of the Global Economy. London ; New York: Zed Books.

65 Hence the "fiscal gap" discussed above and the need for what Varoufakis calls a "recycling mechanism" at national level.

66 http://www.primeeconomics.org/?p=2104

67 https://steadystatemanchester.net/2013/03/21/book-review-where-does-money-come-from-a-guide-to-the-uk-monetary-and-banking-system/

when you use a credit card or take out a mortgage, or if a business takes out a loan. As Ann Pettifor argues[68], this power to almost magically create money out of thin air is a potentially liberatory social resource, but to be that it needs to be properly regulated and democratically managed, rather than generating costly personal debt that acts as the feedstock for the speculative global financial industry with its unsustainable bubbles[69]. Local government has used two main sources for its capital financing. Loans from the Public Works Loan Board, that would appear to fall into the category of government creation of money, and loans from private institutions, including the now notorious LOBO loans[70]. In present times of low interest rates, borrowing is a sustainable option for State and quasi-State bodies, but with great caution needed as to the terms.

So for endogenous development we can rule out 2 and much of 3 – that is surplus extracted from other peoples, and footloose profit-seeking surplus capital from other economies (although this latter can have a positive selective role if robust safeguards can be negotiated such as local 51% controlling stake and reversion of assets to local ownership on exit within a defined time-scale).

But modes 1 and 4, using ***our own local surplus*** (and that redistributed though the national economy[71]), and ***credit created locally***, are both options for endogenous development.

One challenge with both of these is that money tends to seep out of the local economy[72]. Connectivity with other economic centres tends to make this more, not less likely[73], something to bear in mind when developing transport infrastructures. But *there are ways of keeping wealth in the local economy*, for example through *preferential local procurement*[74], through *local loyalty schemes* and the *development of local currencies*[75] (especially electronically-based business to business currencies as used successfully in Switzerland).

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68 http://www.primeeconomics.org/?p=2536

69 Lapavitsas, C. (2013). Profiting without producing: how finance exploits us all. London ; New York: Verso. ;Montgomerie, J. (2007). Financialization and consumption: an alternative account of rising consumer debt levels in Anglo-America. (CRESC Working Paper Series No. 43). Manchester: Centre for Research on Socio-Cultural Change (CRESC), University of Manchester. Retrieved from http://www.cresc.ac.uk/sites/default/files/wp43.pdf

70 http://lada.debtresistance.uk/who-has-taken-out-lobos

71 See discussion on the “fiscal gap” and redistribution in the main body of the paper.

72 See NEF Report “Plugging the Leaks”, still available at Internet Archive: http://web.archive.org/web/20130611042814/http://www.neweconomics.org/page/-/files/Plugging_the_Leaks.pdf

73 http://www.bartlett.ucl.ac.uk/planning/news/HS2ParliamentaryCommittee

74 Jackson, M. (2013). Maximising the benefit of public spend. CLES. http://www.cles.org.uk/publications/maximising-the-benefit-of-public-spend/

75 http://www.utne.com/politics/local-currencies-zm0z13mazwil.aspx#axzz31X5uai8T

Ways in which local surplus can be re-invested locally include the use of ***pension funds*** for investment in local economic initiatives (the *Greater Manchester Pension Fund* has done some of this, for example in housing[76]), the establishment of ***locally focused savings funds***, and ***local investment schemes***, for example via crowd-funding, issue of loan-stock and locally focussed share offers (as with some of the successful community energy schemes [77] and alternative food enterprises[78]).

But link these ideas together with the issue of local credit, perhaps along the lines of the ***Municipal Green Bond*** (as proposed in In Place of Growth[79]), or a Municipal or ***Bioregional Bank***[80], and the real power of endogenous development for local economic, social and ecological viability can be imagined.

In investing locally, we need to *emphasise the social and ecological yield of the investment*. So investment in a fair wage employer with low pay multiples yields more social benefit than investment in one with an inequitable pay structure. It is also likely that less expenditure will be on high energy and exotic goods or invested in speculation such as financial derivatives. Important here is consideration of the 'stakeholder' motives of investments: traditional shareholder owned banks and external investment are concerned overwhelmingly with profit maximization,while investment controlled by those with a stake in the local community and its economy has the potential to be directed towards a broader conception of local prosperity. It certainly is a tragedy that so much of the infrastructure of local mutual and municipal financial institutions was destroyed in the carpet-bagging, profit-seeking rush to de-mutualise and privatise over the last 30 years. This is something we need to put right, but by inventing new, ecologically and socially kind vehicles rather than just reverting to older models.

So with these tools, endogenous development is not just a fine idea, but one we can use to build systems locally to strengthen our local economy while ensuring social and ecological viability.

The relations involved are summarised in the Figure.

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76 https://steadystatemanchester.files.wordpress.com/2014/03/comments-on-mcc-report-on-investments.pdf

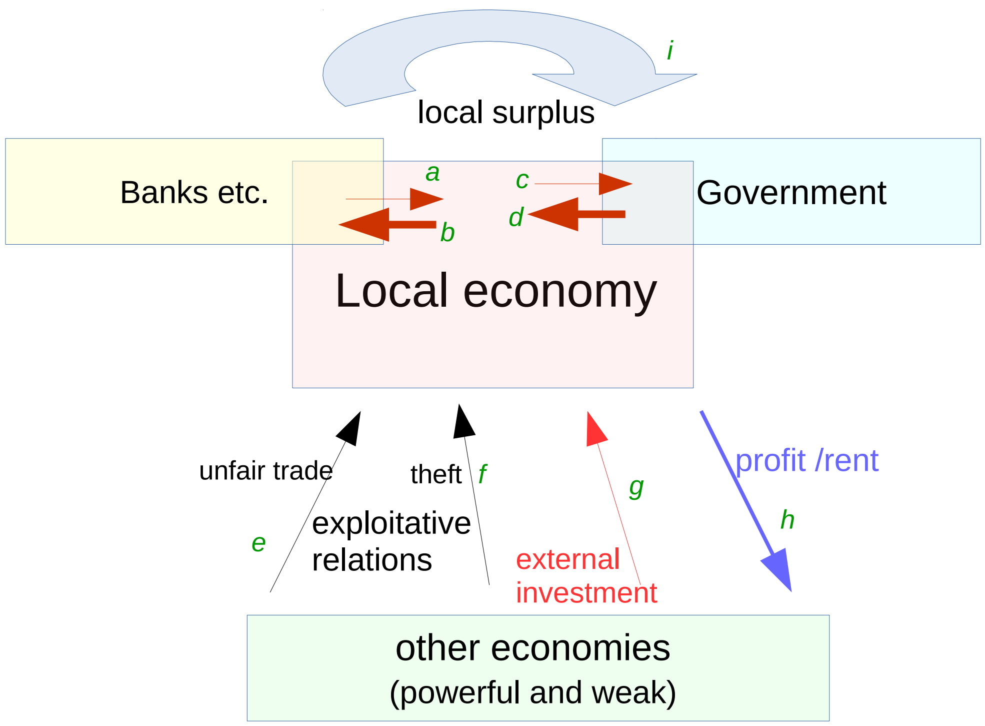
77 e.g. http://www.gmcr.org.uk/ and http://www.stockport-hydro.co.uk/

78 e.g. http://www.village-greens-coop.co.uk/buying-shares/

79 https://steadystatemanchester.net/our-reports/

80 https://steadystatemanchester.net/2013/12/10/local-authority-banks-the-door-is-open-newstart/, http://imaginationforpeople.org/en/project/banco-palmas/

Figure: Money flows and the local economy (simplified).



Key and clarifications:

Applied to an economy within a country with a sovereign currency, such as the UK.

a *Loans; money creation through lending (money creation).*

b *Interest payments.*

c *Taxes (destruction of money)*

d *Government spending (money creation)*

e *Money transfers via unequal exchange of money and goods from weaker economy.*

f *Primitive accumulation (accumulation through dispossession) from weaker economy.*

g *Investment (including, but not restricted to foreign direct investment) by stronger economy.*

h *Profits and interest on investments made by stronger economy.*

i *Recycling of surplus within economy. Includes local spending and re-spending and expropriation of surplus value (basis for profit).*