

## Urban Economics within the United Kingdom

**Student Name:**

**Student Number:**

**Professor:**

**Course Code:** Globalization and Economics

**Date:**

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### i. Introduction

Urban economics is traditionally understood as the economic study of urban areas; as such, it includes using theories of economics to analyze urban issues such as crime, education, public transit, housing, and municipal government finance. More specifically, it is a branch of microeconomics that studies urban spatial structure and the location of households and firms (Quigley, 2008). This analysis will investigate the growth of London since the 1980s against the decline of other British cities and conclude with an urban economic plan for the small municipal region of Casterbridge.

While it can be said that most economically advanced societies are marked by high levels of urbanization, the reasoning underlying this observation is that the productivity of capital and labor is greatly enhanced where selected units of each come together in geographic space to form interconnected systems or agglomerations of firms and workers (Storper and Scott, 2009). In these agglomerations, productive activity (industrial, service, retail, etc.) is functionally fragmented into complex divisions of labor, and then brought back together again through processes of economic coordination—in the form of traded and untraded interdependencies—between firms and within labor markets.

The relevant question thus becomes what specific circumstances sustain and account for different kinds of innovative urban economic growth within Great Britain? In particular, how has London managed to sustain economic growth while other urban economic areas have gone into stagnation and decline?

## ii. The Economic Rise of London

A new period of neo-liberal economics began in 1979 with the election of the Thatcher government and a return to Conservative Party dominance within the United Kingdom that remained throughout the 1980s. During the 1980s most state-owned enterprises were privatized, taxes cut and markets deregulated, GDP fell 5.9% at first, but later rose to 5% at its peak in 1988.<sup>1</sup> Ades and Glaeser (1995) suggest that London as a trade city grew through commerce. London's ancient core, known as the City of London, is the financial centre of the United Kingdom. It is important to note that the City of London generates approximately 20 per cent of the UK's GDP (or \$446 billion in 2005); while the economy of the London metropolitan area, generates approximately 30 per cent of the UK's GDP (or an estimated \$669 billion in 2005) (Lecomte, 2008).

According to Lecomte (2008), educational factors in combination with a young population helps to sustain the vigor of a regional economy. Others including Henderson and Black (1999) suggest that Individual city sizes grow with local human capital accumulation and knowledge spillovers. Within the urban metropolis of London, the city's largest industry is finance, and its financial exports make it a large contributor to the UK's balance sheets. According to estimates, 325,000 people were employed in

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<sup>1</sup> For detailed statistics on the economic growth of the United Kingdom in the 1980s see "Edit/Review Countries." [www.imf.org](http://www.imf.org). 29 April 2003. Retrieved 8 December 2012: <http://www.imf.org/>

## Appendix

### The size of the metropolitan areas in terms of population, jobs and GDP

| FURs       | Population |                        |                              | Jobs in 1999                                 |                         | GDP in 1999             |                              |
|------------|------------|------------------------|------------------------------|--|-------------------------|-------------------------|------------------------------|
|            | Years      | Population (thousands) | Share of national population | Jobs * at the place of residence (thousands) | Share of national total | GDP (billions of Euros) | Contribution to national GDP |
| London     | 1997       | 13 230                 | 22.9 %                       | 6 350  | 24.1 %                  | 413.2                   | 30.2 %                       |
| Paris      | 1999       | 11 750                 | 20.5 %                       | 4 890  | 21.6 %                  | 395.2                   | 29.3 %                       |
| RheinRuhr  | 1997       | 11 700                 | 14.5 %                       | 5 110  | 14.3 %                  | 302.4                   | 15.3 %                       |
| Randstad   | 1999       | 6 980                  | 45.2 %                       | 3 090  | 40.9 %                  | 185.3                   | 49.6 %                       |
| RheinMain  | 1997       | 4 010                  | 5.0 %                        | 1 700  | 4.7 %                   | 132.7                   | 6.7 %                        |
| Bruxelles  | 1999       | 3 670                  | 35.9 %                       | 1 390  | 35.1 %                  | 96.4                    | 40.9 %                       |
| Birmingham | 1997       | 3 070                  | 5.3 %                        | 1 320  | 5.0 %                   | 55.9                    | 4.1 %                        |
| Manchester | 1997       | 2 680                  | 4.6 %                        | 1 220  | 4.6 %                   | 52.3                    | 3.8 %                        |
| Lille      | 1999       | 1 940                  | na                           | 640  | na                      | na                      | na                           |
| Glasgow    | 1997       | 1 770                  | 3.1 %                        | 730  | 2.8 %                   | 46.5                    | 3.4 %                        |
| Antwerpen  | 1999       | 1 540                  | 15.1 %                       | 610  | 15.4 %                  | 38.9                    | 16.5 %                       |
| Liverpool  | 1997       | 1 370                  | 2.4 %                        | 530  | 2.0 %                   | 22.6                    | 1.7 %                        |
| Dublin     | 1996       | 1 300                  | 36.6 %                       | 670  | 43.2 %                  | 42.3                    | 47.5 %                       |
| Edinburgh  | 1997       | 830                    | 1.4 %                        | 400  | 1.5 %                   | 20.8                    | 1.5 %                        |

\* Year 2000 for UK FURs.

Sources : Population census, Labour Force Surveys and Eurostat

Appendix 1: Chart taken from D. Lecomte "The Economic Positioning of Metropolitan Areas in North Western Europe" detailing the percentage of GDP per metropolitan region.

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