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The extraordinary resurgence of Manchester is the best model for closing the north-south economic divide

A young man in jeans, a blue T-shirt and rollerblades glides across the shiny grey floor of The Sharp Project in northeast Manchester. Seconds later, a colleague follows him on a skateboard, slaloming towards the canteen. Working in a 200,000 sq ft space — roughly the area of two Manhattan blocks — has encouraged some occupants to find alternative ways of traversing the office.

The former electronics factory is salvage from a wreck. The long decline of industry during the 20th century left empty warehouses, mills and factories strewn around Greater Manchester. Some remain derelict but many have been reclaimed by a new generation of entrepreneurs. The Sharp Project is home to more than 60 companies. Rows of converted shipping containers house small businesses from a data-driven forensics lab to a post-production studio. Bright geometric lines of orange and red illuminate the otherwise grey, white and black arena; the place looks like it was decorated by Piet Mondrian. Students from a nearby school mingle with techies, marvelling that a workplace near them includes a ping-pong table. “It’s like Silicon Valley,” a pupil says. Only an item on the lunch menu belies the location: chips and gravy is a Mancunian fuel.

In his office, Andrew Daniels recalls growing up in Manchester in the 1980s and early 1990s. The managing director of Degree 53, a digital design company named after Manchester’s latitude, says that “the city centre used to be a terrible place”. Today, “there is just as much opportunity in Manchester as there is in London”. Daniels’ 55 employees hail from various parts of the country, a sign of how some city businesses are magnets for nationwide talent.

Wearing smart trousers and a sweater, Daniels embodies the style of a Manc lad rather than the slovenly chic of a Californian techie. He built his first website — a Manchester United blog — aged 14 and his career has surged alongside the city. Like many entrepreneurs at The Sharp Project, he sees himself as an heir to the hustle of industrial Manchester. “Manchester is an arrogant city,” Daniels observes. “We know we’re competing with London but London is also competing with us.”

“The Sharp Project is a concentrated version of the city and its ethos,” says Laura Harper, a partner at Shoosmiths solicitors, which works for many of the start-ups. Swagger and confidence are Mancunian traits, she says. Tony Wilson, whose Factory Records rekindled the city’s music scene from the late 1970s, joked that he didn’t consider Manchester to be Britain’s second city; London and Birmingham could fight between themselves. The writer Anthony Powell, a more highbrow Mancunian, said he felt a journey to London was an exercise in condescension.

But the confidence that courses through Manchester is more than a cocksure inheritance. The population of the city grew by a fifth from 2001 to 2011. The median age is 29. Greater Manchester — the broader city region of 2.7 million people; about the same population as Rome — grew by 7 per cent over the decade to 2011. Manchester is the most popular place for foreign direct investment outside London, according to the New Economy think-tank. The Centre for Cities, another think-tank, says that Manchester is one of only three large cities (Leeds and London are the other two) with a higher share of private sector jobs than the UK average. Oxford Economics, a global forecaster, predicted that the city will grow faster than the average for the rest of the country over the next 10 years.

Last year, chancellor George Osborne announced that he wanted Manchester to be the engine of a “northern powerhouse”: a conurbation the size of Chicago forged by connecting the region’s large cities. Osborne has agreed to devolve power to city regions in exchange for greater co-operation among town halls. His move had political motives but it was also a sign that the “Manchester model” is seen as the last best hope for closing the economic divide between north and south.



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Sir Richard Leese, leader of Manchester City Council: ‘We plan for the long term’

It is a fissure that has marked England for more than a century. The social novels of the 19th century often contrasted a proletarian north with a bourgeois south. In 1900, the economist John Hobson described the two regions as a “producer’s England” and a “consumer’s England”. (There is no formal border though many place the north above Midlands cities such as Nottingham.) But it was in the second half of the century, as globalisation accelerated, that the economic gap widened. Reporting around the country in 1985, RW Apple Jr, the voracious New York Times foreign correspondent, described the north as “the other Britain”.

At least since the Thatcher era, politicians have pledged to “rebalance” the economy. It hasn’t happened. Although there have always been rich parts of the north and poor parts of the south, the broad trend is clear. Between 2004 and 2013, for every 12 net additional jobs created in southern cities, only one was created in British cities elsewhere. Summarising a decade of research, the Centre for Cities concluded in January that “the gap between cities in the south and cities in the rest of the UK has increased, not diminished”. Manchester is an exception.

As economic power becomes concentrated in London and its ancillary areas, political power is being devolved to Scotland, Wales, Northern Ireland and the cities of England. The UK, long one of the most centralised countries in Europe, is having a centrifugal moment. At the crux lies Manchester, which in this electoral year is an assertive, restless, almost republican city in an increasingly disunited kingdom.

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On a wall in the waiting room outside [Sir Richard Leese](#)’s office is a diagram showing the profiles of the 96 councillors of Manchester City Council. Ninety-five are members of the Labour party. The “rebel” belongs to the Independent Labour party.

Although the comparison is mostly absurd, there is something almost Chinese about the way Manchester is run. As well as the one-party rule of the city council led by Leese, there is the eerily consistent message a visitor receives from its political, civic and business figures: Manchester is focused on growth. “Everyone sings from the same hymn sheet in Manchester,” says Jim O’Neill, former Goldman Sachs chief economist and the chair of the influential Cities Growth Commission.

Such consistency reflects the city’s stable leadership. Leese and Sir Howard Bernstein, the council chief executive, have led Manchester as a double act for nearly two decades. Together they have guided the city’s resurgence. O’Neill speaks for many of the duo’s admirers when he says that they are “very canny politicians”. Neil O’Brien, a special adviser to the chancellor, says that they are “serious, professional and confident people who know their way around the system”. Lord Heseltine, former deputy prime minister, describes the two as “consistently ahead of the game”.

Some accounts of Manchester’s revival trace it to the 1996 IRA bomb in the city centre that injured more than 200 people and caused £1bn of property damage. “This is not only simplistic but wrong,” Leese says. According to the 63-year-old, the response to the blast proved there was already a plan to regenerate Manchester; he cites the earlier redevelopment of the Hulme Crescents estate in the south of the city. “Twenty years ago we realised that the decline of Manchester took 80 years; it didn’t happen overnight. So its rebirth as a modern post-industrial city, again, isn’t going to happen overnight. We plan for the long term.”

Bernstein’s office is along the corridor from Leese’s. The 62-year-old chief executive wears a presumably unnecessary staff name tag on the lapel of a dark suit that gives him the look of a genial mortician. “Investors have a great liking for our leadership,” Bernstein says, preferring it “to more laissez-faire types” of governance. His “colleague”, Sheikh Mansour bin Zayed Al Nahyan of Abu Dhabi, who bought Manchester City Football Club in 2008, has invested £1bn in turning City into a force

that rivals Manchester United. His “Chinese colleagues”, the Beijing Construction Engineering Group, have a 20 per cent equity stake in the Airport City development. Bernstein notes that both groups appreciate 10-year plans. Any public discomfort at overseas investment is not shared by the council leadership. Bernstein insists that “Manchester has always been an open, international city”.

In the 19th century, German critics used the abstract noun “das Manchestertum” to symbolise what they saw as the English ideology of free trade and economic individualism. Manchester, one of the first modern cities, was built on commerce and trade as much as industry. The liberal attitude of the city’s elites later fused with municipal socialism to influence the activist, mercantile “Manchester Men” that have often governed the city council, according to Alan Kidd, a renowned local historian.



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Sir Howard Bernstein, chief executive, Manchester City Council: ‘There is a recognition that the Westminster model, if not bust, is close to it’

Kidd sees Bernstein and Leese as continuing that trend. For their part, the two leaders suggest two aspects distinguish Manchester’s heralded approach to city government. First, there is what Leese calls Manchester’s “uniquely mature governance arrangement”. Unlike some other conurbations, the 10 metropolitan boroughs of Greater Manchester are part of a unified organisation, the Greater Manchester Combined Authority. “They have turned what may have been a weakness into a strength,” O’Brien says. The GMCA increases the effective scale of Manchester and makes it easier to strike deals with central government. “Good politics matters more in places with weak economies,” says Andrew Carter, interim chief executive of the Centre for Cities.

Second, Manchester has applied the global evidence on what makes for a prosperous city. Its brain trust is New Economy, the GMCA-supported think-tank run by Mike Emmerich. He explains how, for decades, “regional policy” in Britain has meant redistributing money and public sector jobs to areas hit hard by deindustrialisation. There is a better way, Emmerich argues, especially in an age of large public spending cuts. “Spreading money thinly and evenly is not the solution”.

Instead, Manchester tries to “bring people to jobs rather than jobs to people”. This means, for example, spending money on tram lines. To critics who say this turns once self-sufficient areas into commuter towns, Emmerich replies: “The unfortunate truth is that the alternative is that you are telling people in these places they are going to remain poor.”

The results of Manchester’s active role in shaping its economy are apparent in the city centre. Glass office blocks stand next to reclaimed red-brick warehouses. There are few green spaces — a legacy of the sudden higgledy-piggledy industrialisation in a town without much royal presence. Many of the temporary car-park sites have been bought with an eye to student or yuppie flats. The accoutrements of urban living are accumulating — bars and restaurants and coffee shops are packed and loud. Around seemingly every corner there are roadworks or construction sites. In the 1840s, the novelist Elizabeth Gaskell described a huge factory among houses as “like a hen among her chickens”. Today, from the top of new offices at One St Peter’s Square, there are flamingos among the poultry; a flamboyance of cranes is visible above grey and red roofs.

But local dirigisme goes beyond planning. One St Peter’s Square is among many of the commercial properties that Manchester’s public pension funds have invested in. The council owns The Sharp Project’s building. The Manchester Airports Group, which operates the Manchester, Bournemouth, Stansted and East Midlands airports, is part-owned by the 10 boroughs of Greater Manchester; its dividends help pay for local schemes. The council played a critical role in the merger in 2004 that created the University of Manchester. “It’s a giant PLC,” says Sue Woodward, CEO of The Sharp Project.

Manchester’s political acumen and economic potential persuaded the chancellor to last year make the biggest shift in power for decades towards the north. After negotiations that deliberately sidelined territorial Whitehall officials, Osborne and northwest civic leaders agreed to “[Devo Manc](#)”. This devolves hundreds of millions of pounds of spending to the Greater Manchester Combined Authority, which is expected to introduce a directly elected mayor from 2017.

The deal is a rational move to encourage growth in the north, according to O’Neill. It also gives the Conservative chancellor a possible identity other than a slasher of public spending. At the same time, O’Neill says, it’s a recognition of the pluck of Bernstein and Leese. “Part of the case for giving them more power is to test them to see if they are as good as they claim they are.”

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On September 19 2014, the morning after Scots voted No to independence, a weary, relieved [David Cameron called for “a new and fair settlement](#) that applies to all parts of our United Kingdom”. After his speech outside 10 Downing Street, commentators focused on his call for only English MPs to vote on English laws. But the PM’s remarks amounted to something much bigger: a belated recognition of a disunited kingdom.

Although Scotland opted to stay in the UK, the narrowness of the vote suggested that its membership is based more on pragmatism than a romantic sense of Britishness. Since the vote, the Scottish National party has quadrupled its membership. It is projected to win a majority of seats in Scotland at the May general election. The nationalists’ defeat is looking ever more like a victory.

And it is not only Scots who are restless. In Wales, a majority wants more powers for its assembly. In Northern Ireland, many young people say they feel Northern Irish, rather than British or Irish. In England, growing numbers of people say they feel distinctly English, not British. Britons from ethnic minorities are far more likely than white Britons to say they feel a distinct British identity.

Traditional loyalties are fraying, a trend brought into focus by the Scottish referendum and the rise of populists such as the United Kingdom Independence party. As in rich countries across the world, globalisation has disrupted the identities that linked place to job to class to vote in a seamless chain. As a result, insurgents are challenging the established Labour-Tory duopoly.

When the prime minister said it was time “to empower our great cities” in his statement on the Scottish result, it not only reflected a hope that devolution can slow the concentration of wealth in the south but also that power should be moved from the capital or voters will grow more cynical towards politics. Lord Heseltine, a tireless advocate of devolution, says it is “unstoppable” following the Scottish vote, and the late realisation that “the rest of the UK has become too subservient towards London”. “There is recognition,” Bernstein adds, “that the Westminster model, if it’s not bust, then it’s coming close to it.”

For Manchester’s chief executive, local areas are better equipped than Whitehall to provide public services. But cities are taking on a political role, too — as liberal bastions. In 2014, Ukip triumphed at the European elections and beat the Liberal Democrats into third place in council races — but it won no council seats in inner London, Leeds, Birmingham, Newcastle or Manchester.

Cities are young and diverse; Ukip tends to poll highest in places that are old and white. People who feel they benefit from open markets and liberal immigration policies are increasingly living in big cities. “The progressive values of the 1990s and 2000s haven’t disappeared,” argues Emmerich. “They’re in cities. These aren’t London values, these are metropolitan values.”

Robert Ford, a senior lecturer in politics at the University of Manchester and co-author of the definitive book on Ukip, says that Nigel Farage’s party does better among those “left behind” by globalisation and cultural change — often white,

working-class, less educated, older males. In contrast, “You see in central Manchester a subdued version of the ‘London effect.’”

The clash between metropolitan and more traditional values can be glimpsed observing Will Straw campaign to be MP for Darwen and Rossendale, a marginal seat about 20 miles north of Manchester. Straw, the 34-year-old son of the ex-foreign secretary Jack Straw, has inherited New Labour’s ties as well as his father’s rangy frame. There are the declarative statements (“Look, the point I was going to make is . . .”), the inductive arguing (“I think there are three key points”) and a fondness for answering a question of one’s own construction (“What I would ask is . . .”).

Yet any air of entitlement seems to evaporate in the heat of campaigning. Straw meets businessmen in Darwen, a winsome market town. In Rossendale, a former mill area in the Pennine Valley, where 30 per cent of workers commute to Manchester, he hears from Caroline Collins, who co-founded a food bank. She says Rossendale has the third-highest young male suicide rate in England — “and the other two are towns you go to to kill yourself”. During the day, Straw pledges to help with several people’s problems. “He gets things done,” says Mary Seward, a café owner, “and the town could do with all the help it can get”.

But, canvassing in Rossendale, Straw’s first knock on the door brings a reminder of the challenge facing politicians. “I’m going to vote Ukip,” Niall Hayden says. The 73-year-old retiree adds, “I was brought up to vote Labour but today the parties are the same. It’s red Tories or blue Tories.” Straw tries to outline differences but Hayden explains that his problem is not about policies; it applies to all of the political class. “The life they look upon is different,” Hayden says, explaining that he worked in the mills from age 14. “They don’t know what it’s like to walk out with holes in your shoes and hope it doesn’t rain.”

Later, Straw reflects on his encounter. He says that politicians have neglected those such as Hayden, who have legitimate complaints that the economy has left them stranded. “What you are seeing is 30 years worth of class allegiances fading across the political system — but it has taken 30 years for those changes to pass through into politics.”

Over the past decade, areas such as Rossendale have struggled whereas the cores of larger cities have grown. Eight of the 10 largest cities in England have seen private sector jobs become more concentrated in their centres, according to the Centre for Cities. More of these jobs are in what Leese calls “sunrise” rather than “sunset” jobs; that is, in knowledge-intensive services.

Inner cities, once synonymous with social ills, are improving. Tabloids used the term “Gunchester” in the 1990s and 2000s on account of Manchester’s crime rate. There were about 50 firearm offences per 100,000 people in greater Manchester in 2002-03. A decade later there were only 14. Pupils in some big cities are making the biggest improvements in exam performance. Health problems are often worse in isolated towns such as Blackpool, which lose skilled people while attracting those on benefits. “We import poor health and export healthiness,” says Dr Arif Rajpura, the head of public health at Blackpool council.

The gap between big cities and areas disconnected from globalisation is important in understanding the broader north-south divide. Referring to where Ukip is thriving, Ford says: “Why are they so pessimistic about life? Because their lives aren’t that great — and the optimists just leave.”

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Manchester is brimming with an intoxicating confidence. The city Benjamin Disraeli called “as great a human exploit as Athens” is, in Heseltine’s words, “world class”. However, as Jim O’Neill says, for now the “northern powerhouse” remains an ideal not a reality.

Compared with those in countries such as Germany, the US and Italy, the UK’s second cities are minnows. There are 10 million people within 40 miles of Manchester but the area “doesn’t function as a single economic entity”, Neil O’Brien says. Strong local identities matter. But so does underfunded infrastructure. Devolution plans such as One North try to deal with both: if cities work together they receive money for transport links.

“The question is whether these other cities can do enough to rival London,” O’Brien says. This year, London’s population matched its pre-second world war high, reaching 8.6 million. A mix of money and migrants, London is one of the world’s few truly global cities, with a pool of skilled labour that the north will struggle to match. O’Brien calculates that the average social housing tenant in inner London is more likely to have a degree than the average person in Merseyside.

If Manchester is to become the London of the northwest it will need the explosive growth at its core to radiate to the periphery. On the road north from The Sharp Project is Oldham, an area in Greater Manchester that, 100 years ago, was reportedly home to more millionaires than anywhere else in England. At first glance, the former textiles giant is pretty grim. The cafés seem too busy for a weekday. Several businesses in the “independent district” are boarded-up. One shop’s window displays the other shops for sale.

“Oldham can be a cynical town — and rightly so,” says one long-term resident. When industry declined from the 1960s, it left a dilapidated landscape. In 2001, some of the worst riots in recent English history took place here. An official report blamed the segregation of white and south Asian communities. At the subsequent general election Nick Griffin, the leader of the far-right British National party, won 16 per cent of the vote.

But as many locals are keen to point out, it is simplistic to see Oldham through the lens of ethnic strife. The vast majority of the town has consistently rejected extremism; the BNP has never won a council election. Such a view also ignores the economic reasons for Oldham’s problems. Even in the New Labour boom years, Oldham lost private sector jobs. By 2008, the council had the lowest customer satisfaction of any local government in England and Wales.

More recently, “there is a spark if not quite hope”, says Dave Whaley, the editor of the Oldham Chronicle. Outside his office is a tram link connecting Oldham to

Manchester, making it easier for people to work in one place and live in the other. Whaley tells me that: “The big question for us is, will we get the wash from Manchester?”

When I put this question to people in Oldham, a majority told me about Marks and Spencer. “Yes! M&S is coming!”, says Maggie Hughes, the owner of a local clothes shop. The £60m Prince’s Gate development, announced in late 2014, will house a huge M&S, the first ever in Oldham. “You can’t underestimate the psychological effect of the M&S,” says Carolyn Wilkins, the council chief executive. For many people the absence of the retailer was a symbol of failure. It fitted the previous self-image of a town low on confidence.

“The way we were treated before by central government meant we were almost rewarded for saying how desperate we were,” says Jim McMahan, the highly regarded 34-year-old leader of Oldham council. “The challenge for us isn’t what we do for poor people, it’s how we make sure we haven’t got any poor people.” In part, he says, this means “embracing Manchester”. He hopes the development of the town centre will attract people to live in Oldham even if they work in Manchester. “It’s got to be a place where people come to meet and to socialise.”

For Andrew Carter, what is happening in Oldham “is part of the end of about 100 years of change in urban Britain”. The Centre for Cities interim chief executive says: “In times gone by, places like Oldham had their own economies but over the longer run you can imagine those sorts of places becoming more like what outer boroughs are to the centre of London.”

But McMahan is adamant that “Oldham has got to stand on its own two feet”. He has reformed how his council provides social services, while borrowing against projected tax revenues, selling council assets and using the money for economic development. He has spent money on refurbishing the town hall and on grants for businesses to repopulate the centre, while releasing land for private development, which has attracted investors from the US and China. Land values are increasing for the first time in years. Public satisfaction in the council is rising.

“I absolutely believe there is a future for a place outside of London to be a genuine second city,” McMahan says. However, he thinks the intellectual shift required is only half-complete. The council leader says he has 2,000 legal obligations from central government regarding public services but not one for the economy. “So that we’re very clear: if Oldham is a place that just wants to manage its own decline, then it’s not a town that I want to raise my kids in.”

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In 1835 Alexis de Tocqueville journeyed to England, recording the wrenching effect of the industrial revolution. In Manchester, he heard the din of the world’s first modern city. “From this foul drain,” de Tocqueville wrote, “the greatest stream of human industry flows out to fertilise the whole world. From this filthy sewer pure gold flows.” The Manchester that the French aristocrat wrote about still has a strong hold on the public imagination. The notion of the northern city as “a little world of labour”, as Charles Dickens put it, has proved as hard to shift as soot from bricks.

But Manchester has always been much more than a monolithic Cottonopolis. Even de Tocqueville recognised Manchester's "favourable circumstances": its proximity to the port of Liverpool, its network of capitalists, its close-knit entrepreneurs and scientists. Then, as now, it was a hive of knowledge, capital and skilled immigrants. Like today, it was seen as the core of a broader economy that stretched across the region. If cities have genes, as Mike Emmerich suggests, then Manchester's post-industrial emergence is something of a rebirth.

Manchester may be more "globalised" than "globalising", in the words of Alan Kidd, but its redevelopment has made it increasingly important to the future of Britain. In the wake of the Devo Manc deal, Manchester is the model for cities including Leeds, Newcastle and Birmingham, all pressing central government for more devolved powers.

The Conservatives have made their defining vision the prospect of the UK being the biggest economy in Europe by 2030. Labour has put inequality at the heart of its election campaign. And underneath all these election pledges is a deeper question: will Britain continue as an open, united country, or will it turn inwards and fragment?

Although its promise remains unfulfilled, Greater Manchester offers something rare in politics: hope. Hope that the UK can become united through devolution. Hope that Britain can close the gap between north and south. Hope that there is ballast to prevent London heading off to its own financial stratosphere. Hope that cities will man the resistance against a surge of illiberal values.

There are many material reasons why these ambitions will prove tough to meet. But there is a palpable optimism in the northwest about the potential of the area. In a country facing an election riddled with anxiety, such optimism is in stark contrast to the frustrations felt elsewhere. Britain may be an increasingly disunited kingdom but devolution to cities could prove fortifying. For, as they say up here, Manchester is not so much a city as a state of mind.

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Photographs: Ben Roberts

















