

Spreading prosperity more widely in the UK

One of the central themes of the Conservative Manifesto is to promote growth and prosperity more widely around the UK. This is an aim I strongly support. This week the ONS brought out some figures to remind us just how much needs to be done to generate more income and wealth in large parts of our country. The ONS calculated tax revenue per head by region, and public expenditure per head by region.

The figures revealed that the UK's single currency area is also an important transfer union, switching large sums collected in taxation from the richer areas to the lower income areas through higher levels of spending. London topped the lists for tax revenue per person, contributing £15,756 per head. The South East provided £12,449, and the East of England £10,833. At the other end of the revenue table was Wales at £7,986 per person, the North East at £8,200 and Northern Ireland at £8,581.

On the expenditure side The South East was bottom at £10,582 per head, with the East of England a close second at £10,592. The highest spending per head was in Northern Ireland at £14,018, and second Scotland at £13,054. London at £12,686 was relatively high, but London still contributed the largest amount net to the rest of the country owing to its very high levels of tax contribution. Only three regions put in more revenue than they took out in spending, London, the South East and the East of England.

The Scottish figures in the past when they have been calculated have been the subject of some controversy, as you could either allocate most of the oil revenue to Scotland, or allocate it according to population on the grounds that it is a national resource for the UK. Last year, the year for these figures, it makes no difference how you do it as there was no North Sea revenue.

I draw several conclusions from this. The first is you do need large transfers of money in a currency union to make it work. The absence of these transfers in the Euro area lies behind the rolling Euro crisis we have seen in recent years as the zone struggles to find ways to send the surplus from the rich areas to the rest of the Union.

The second is the gap between London and the rest is high. We need to help bring the others up by adopting policies that promote more enterprise and new business in the lower income areas.

The third is transfers help balance things up, but they do not in themselves correct the longer term imbalances which stem from too little successful private sector business in the lower income areas. It is that issue which education, training, transport, planning and other policies need to address to encourage more businesses to expand their provision in the areas away from London.

Successful modern cities are particularly good at attracting or producing well educated and highly trained people, and linking them up with entrepreneurs. Cities like Oxford and Cambridge are showing the way outside London. This raises the average income which creates demand and jobs across the spectrum of economic activity.

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