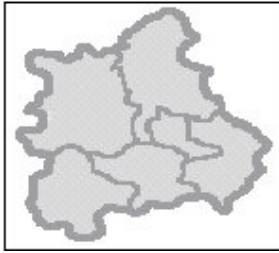


Localise



West Midlands

Local economic solutions
for sustainability

Localise West Midlands

A Regionalised Prosperity & Inflation Framework

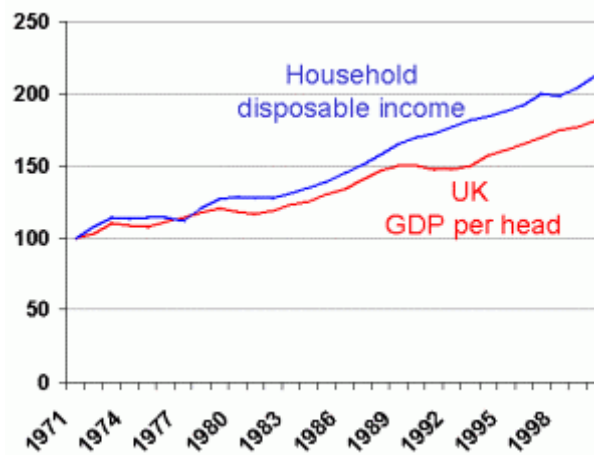
About Localise West Midlands

Localise West Midlands is a small regionally based not-for-profit consultancy and think-tank promoting the greater use of localisation to obtain social, environmental and economic benefits. By localisation we mean localised trade, decision-making and money flow.

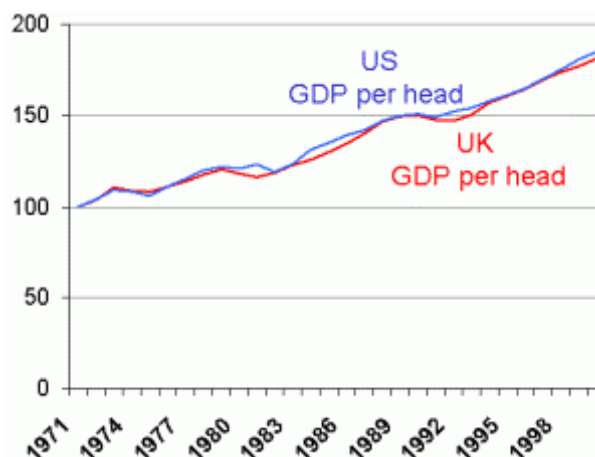
Localisation helps build social capital, targets regeneration to meet local needs, maximises local job creation, and reduces transport and CO2 emissions. It makes economic development and government more sensitive to local needs, and is growing in popularity with people and organisations all over the world.

To promote this approach across the region, LWM:

- Brings people together with a common interest in localisation
- Provides and publicise information, ideas and examples of good practice
- Facilitates or undertake demonstration projects
- Provides consultancy and other support to groups developing localist approaches
- Challenges the barriers to localisation
- Links with similar projects outside the region and worldwide.

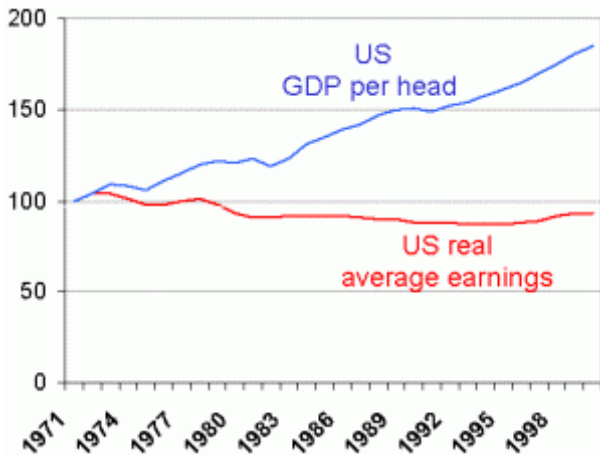


This chart is the official story of *prosperity* in the UK over the last generation. Both lines above tell roughly the same story: that in some way we have become roughly twice as well off since 1971.



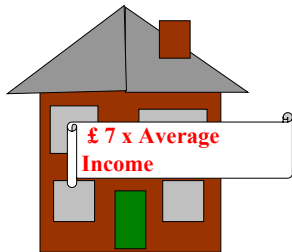
GDP per head in the UK has grown at virtually the same pace as it has in the USA, as shown immediately above.

At first glance this would seem to confirm the joint success of the Anglo-Saxon economic model - the driving force of globalisation.



However the US government, unlike ours, has always issued figures for US average hourly earnings, which have clearly fallen while the American ‘national cake’ (GDP) has been growing.

If the UK had as full a range of economic statistics, we would probably find a similar fall here. Would this not explain why it now takes two incomes to run a household that could be run on one income at the beginning of the 1970s? In both countries most people are on less than such diminished *average earnings*.



Economic policy needs to change. With support from the Joseph Rowntree Reform Trust LWM have been looking into how government signposts the changing prosperity of the people in regional England. Only by altering these signs can we begin to change the direction of central drivers of UK policy to bring about increased prosperity whilst curbing inflation. Our Framework indicators and targets are set out in the target grid on the next page.

Our Lobbying

LWM has had some exchanges with the Office of National Statistics. They have been aware of our ambitions for after they become regionalised in Spring 2007, and then later become the independent ‘Statistics Board’. However, they want to dampen the expectations we seek to foster.

LWM has also begun exchanges with the Bank of England. We do not believe we would need to go as far as establishing regional currencies before regional inflation can

be brought into line, as the Bank claims.

LWM also keeps the government’s Sustainable Development Commission informed of our work, as we have been led to expect that they will soon renew their own project on ‘Redefining Prosperity’.



We have a comprehensive set of Powerpoint slides detailing the proposals, which can merely be outlined in a text of this length. Please contact LWM, at the address below, if you are interested in us talking you through this presentation.

Since at least 2003, the Chancellor Gordon Brown has acknowledged that inflation in the UK differs from region to region. He has intermittently stressed the idea of having different regional pay settlements across the UK. It was he who first raised the issue of regional inflation indexes to foster such negotiations. Colleagues also working on this issue told the Treasury in 2003 that to go ahead with regional pay on the basis of hastily regionalised versions of the existing flawed inflation and prosperity indices would be to risk an ill-conceived scheme being inflicted on the already eroded standard of living of much of provincial England. (See web-bibliography)

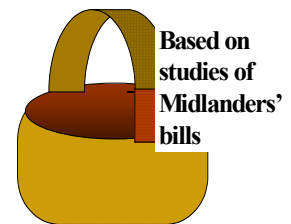
Regional pay deals are the norm in some other G8 countries, where they have localised and regionalised prosperity and inflation figures that are both long-established and credible. This has meant that regional differences are better and more widely understood and also diminishing in extent.

Our proposal

We want to see the new West Midlands operation of the Office of National Statistics (ONS), begin adapting their statistics so that the Chancellor could ensure his inflation target can be properly applied across the UK and across a spectrum of households. A future Chancellor could have a set of targets like these:

CENTRAL ENGLAND INFLATION TARGETS

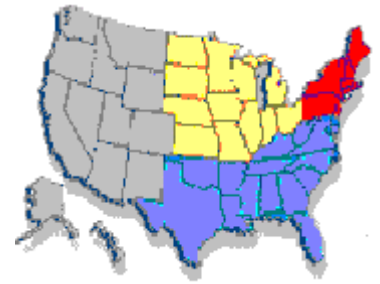
All households	Households headed by a key worker	Family households	Pensioner households
2 %	2 %	2 %	2 %
<p>Inflation was originally measured on the basis of 'baskets': formulae representative of people's spending patterns, our new 'baskets' would be researched <i>locally</i> to reflect these different household types.</p> <p>Success for all this range of household types may need price control policies reaching beyond just manipulating interest rates.</p>			



Would not these targets be very popular across such an English spectrum? Can Gordon Brown preside over such a *regionalisation* of the inflation control priority that he has been insisting was at the heart of his chancellorship? Or, will this step need a chancellor who wants to make his name by definitively going beyond the policy horizons of Mr Brown?

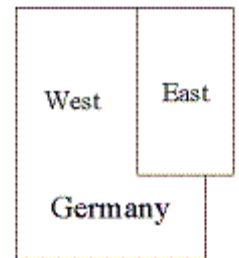
Our international research

Our proposals have been informed by insight into how things might be done differently here in the UK, formed from contact with the state statistical institutions in the USA, Germany and France.



All of these countries have measured inflation as it was experienced by more than just one type of household or part of society – they used more than one measuring formula/‘basket’. All these G7 partner countries take housing costs into account in more than the nominal way used in the UK. House-price inflation not being part of targeted UK inflation is a major reason why housing-inflation has become endemic for us, unlike our G7 partners.

The USA and Germany have the most instructive experience of region-based baskets for tracking inflation that are in addition also based on specific parts of the social spectrum. The USA, for example, have since 1953 run indices based on ‘baskets’ specifically tailored to the spending of manual and clerical workers in dozens of different big cities like New York and Chicago, besides their even older indices for the whole spectrum of consumers in such cities. Since the 1940s the UK had been re-shaping its ‘basket’ to represent all classes and regions in **one** inflation figure! From our research we concluded that the USA along with post-war Germany have set the standard in containing inflation: a standard that the UK has consistently failed to match.



See our presentation...

LWM is seeking to develop this campaign for the adoption of our framework by regional and central government. Beyond the continuing lobbying mentioned above, we are keen to discuss this with both policy-makers and the public. So please do not hesitate to contact us if you are interested in either helping or just finding out more about these proposals or our other related localisation projects.

*Andrew Lydon
Localise West Midlands
January 2007*

A select web-bibliography for this work can be found on our website at www.localisewestmidlands.org.uk/RPI.htm

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