GREG CLARK

An Interview with U.K. Economist Bridget Rosewell

A leading U.K. economist and adviser to national governments and global companies, Rosewell is the chief economist for Greater London, helping make the case for metropolitan growth, infrastructure investment, affordable housing, airport expansion, and a new way to understand what London contributes to the success of the United Kingdom and Europe.

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On becoming chief economist of a major city—the first time that a major city has appointed its own chief economist—what is the first question you must ask?
What do you really know? It is surprising how few people involved with cities and investment delve into the numbers they are given. We tend to take for granted that population statistics, employment statistics, and output measures are well understood and grounded. Often they are not. Few cities really know clearly what their starting point is.

We had difficulty with population data, which is important because government spending allocations depend on them; employment, as in the case of different sources actually saying different things about where people work; and output—neither financial services nor company headquarters turn out to produce anything.

The output measure is especially interesting. There has been much international debate about the economic role of cities and their contribution to national and global economies. At one level, this role is huge; as an economy develops, people flock to cities and are generally better off. More than half the world's population now lives in cities. But we have remarkably little grasp on the output the cities produce.

The world standards on preparing national income accounts assume that banking and finance benefit companies, but not individuals, savers, or investors. So being an international financial center, like London, as many growing cities want to be, will apparently not help one's individual output. Although having business headquarters will

generate incomes, all the output is allocated to where the production is. If you don't know this, the official figures for major cities can be very puzzling, and the productivity and innovation measures oddly low.

What an economist can add to the story is the ability to put the issues that people raise into an economic context. This can be essential for deciding how to rank investment and infrastructure projects—and deciding which ones really matter.

For example, city transport infrastructure is often one of the issues that people and politicians in municipal government have on their agenda. An economist can ask what the infrastructure is for, and who is going to pay for it. Being able to think carefully about these questions can put them in a wider context. Not enough cities think about how commuter trips relate to work trips and other income-using trips. Transport analysis often assumes that jobs can be moved about to fulfill an alternative policy agenda—such as, "Let's reduce the need to travel"—without working out whether this is possible for the jobs, the firms, and the people involved.

Affordable housing, health care, sustainability, growth, and infrastructure are popular ideals of major cities. This means that someone else has to pay. Working out what the consequences can be for the subsidized and those who do the subsidizing is an important role. It also means that policy makers and planners can find the economists an irritant. So, the job of the chief economist is to be especially irritating sometimes.

Setting priorities should not be done in a financial vacuum and it is my job to make sure it is not. A key notion to keep in mind is that one person's benefit is another person's cost, and to remind people that we have to raise incomes and taxes before any spending is possible.

So, how does a city chief economist need to communicate?
A chief economist's key role is to get the story across, both about the major issues and the state of the city's economy. Even where municipal government doesn't have much direct control of economic levers, the chief economist still needs to make sure people understand what is going on. The city has to influence what it does not control as well as manage what it does control well. This is partly about telling the story, but just as much about making data available in an easy to understand and use format.

Whom do you need to influence?
You need to know who holds the purse strings. Keeping an eye

on the flows of finance for a city requires knowing where the decisions are made. In London, it is easy to think that the mayor has control over billions of pounds. The reality is much more complicated. London's taxes go straight to the National Exchequer (the U.K.'s treasury department); less than 10 percent is raised directly by the mayor. Money comes back to subsidize transport, economic development, and so on, but only by negotiation with central government departments. Understanding the tax take and redistribution system has been an important role for the London economics team, and describing the current tax balance—between taxes raised in London and taxes spent in London—is now an annual event.

Do the national decision makers understand cities?
The way in which decisions are made by central governments does not necessarily take into account how cities work. Depending on the country, regions may have relatively small cities, there may be large rural hinterlands, there may be very different patterns of economic activity in different centers. National governments use a one-size-fits-all approach.

As a city chief economist, who are your enemies?
In the worlds of metropolitan policy and planning, it is fatally easy to make the mistake that the economy is a zero-sum game. If you get help, I can't have any, so I will fight to get your jobs or your budget. It is up to economists to explain how investing in the parts, even the successful parts, can help the whole. It is up to economists to explain the linkages between different parts of an economy and to continue to defend trade and markets. A lapse into autarky will make no one better off—a risk the world as a whole is facing at the moment.

Economists learned at the hands of Scottish philosopher Adam Smith and British economist David Ricardo in the 18th century that trade enables specialization and innovation. Making friends with other regions and building on interdependence is a better route to prosperity than fighting over handouts. If you need a handout, it is good to have friends who are able and willing to make it. The better you are doing, the easier to help a friend.

We have invested in showing that a successful London generates a successful U.K. and that generating tax dollars in London helps subsidize other places where fortunes are at a lower ebb. The proof of this is that the current downturn is likely to cost tax dollars from financial services equal to the pay budget of the National Health Service.

What are the key success factors for a city chief economist?
Keep it simple. It is the job of the chief economist to bring practical men—especially in the guise of policy makers, male or female—up to date. An ability to use clear language and make sense in simple terms is paramount. An example is the ability to explain why cities are important and worth investing in. Economists have known about the concept of agglomeration for a long time, but it had never been brought into the ambit of postwar economists or practical men in terms of the benefits of larger labor markets, knowledge spillovers, more competition, and the ability to exploit niche markets and economies of scale.

Economists are trained to think in terms of costs and benefits and whether they balance. They like evidence. Policy makers often decide what they want to do and then ask for the evidence to support it. If it isn't there, they become quite unhappy and cross. So a chief economist needs tact if she wants to tell the policy buffs—and sometimes the politicians—that there is no economic evidence for the proposal they want to push.

Do you need to protect your data and intellectual property?
No, you should give it away. When there is an argument for a policy, it is not just necessary to construct compelling arguments and base them on readily understood information; sometimes you have to let others take hold of the idea and make it their own, even if you don't agree with the details. That is a lot better than holding out for a purist solution that may never be achieved.

Is it important for a city to know about the future?
It might surprise some that forecasting is low on a chief economist's list. In the past, running forecasting models appeared to be the main job. Now, [it is hoped], reliance on curve-fitting models that have little chance of picking up changes and challenges facing an economy is a thing of the past. While it is probable that you will still be called upon to make a best guess, it is important to get over the fact that an informed guess is the best you can hope for.

In London, we used this approach to inform a way of thinking about local employment. Planning and transport policies are as likely to influence these outcomes as any economic trends and patterns and so we developed a way of thinking about the tensions between these on a trend basis rather than constructing a forecast that had spurious accuracy plastered all over it.

What, in the end, makes the biggest difference to how a city performs?
The final requirement of any chief economist is to be persuasive. This means being willing and able to talk the language of other disciplines and to recognize that the pressures facing other participants in city decisions are just as real and valid as your own.

Would you recommend that other major cities and metropolitan regions appoint a chief economist?
Most cities and metropolitan regions need to make much better and more persuasive business cases for the investments they need; very few do it well enough. Appointing a chief economist is one way to do that because it provides a readily understood role that both business and government understand, and it appeals to the media, too.

Few major cities can succeed in the future without a robust ability to stimulate and attract growth, advocate for investment in infrastructure and housing, become more sustainable, and demonstrate an impact from policies. It is hard to consider how cities could do any of this without a core economics function that is properly led and well positioned within the city.

Will some cities do better than others after this economic crisis?
Perhaps surprisingly, I think finance will return. As the recovery begins to take place, international business will also recover—and international business means international finance. Debt levels will be lower, and trading will be less profitable. But in a world in which uncertainty is more of a focus, the ability to get together in cities may well be more important than less important.

Cities that can help disseminate information central to understanding uncertainty will do well. Those will probably be the same cities that were doing well in the recent past. Cities that have been at risk, however, by focusing on declining businesses will see their downturn accelerated.

What can cities do in the future to be less vulnerable to this kind of economic shock?
It is not possible to avoid shocks; the trick is to be flexible when faced with them. Great cities can do this. London used to have most of its workers in manufacturing, but has completely switched its employment pattern over the last 30 years. This will happen again in the future—and in an unpredictable way. So, the answer is to allow for the new and not to believe that you can hang onto the past or that you can plan your way out of it. **UL**