



Lesson (un)learning in spatially targeted fiscal incentive policy: Enterprise Zones (England) and Empowerment Zones (United States)

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ARTICLE INFO

Article history:

Received 16 July 2012

Received in revised form

20 November 2012

Accepted 9 December 2012

Keywords:

Enterprise Zones
Empowerment Zones
Fiscal incentives
Regeneration
Renewal
Lesson learning
Urban policy

ABSTRACT

There is a need to learn lessons when using spatially targeted fiscal experiments if intervention is to generate wider developmental benefit. This paper focuses on the Enterprise Zone concept in the UK (1981–2007) and an exported variant to the US, the Empowerment Zone programme (1993–2009). Lessons are drawn from these initiatives in order to inform the current wave of Enterprise Zones in England (2011 to current). Located in the context of regeneration and renewal efforts, our findings demonstrate that many potential historic and comparative lessons have not been learned. The morphing of State Enterprise Zones to become Empowerment Zones demonstrated the benefits of public pump priming rather than a simple deregulation of planning consents and taxes. This is in addition to the potential gains offered by promoting good governance and including the community in implementation, plus incorporating measures to address the consequences of structural economic decline such as unemployment and poverty within the policy remit. In the context of the return of Enterprise Zones in England, it is noted that the Coalition government led by David Cameron has not learned the potential benefits of an approach that looks beyond a narrow emphasis on growth.

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Introduction

A policy of deploying spatially targeted fiscal incentives to promote regeneration has recently been re-introduced in different forms by the devolved administrations of the United Kingdom (House of Commons, 2012; Lloyd and Peel, 2012). For example, 22 new Enterprise Zones were designated in England in 2011 (CLG, 2012a). This study explores policy transfer and lesson learning in relation to spatially targeted fiscal policy experiments. Specifically, we focus on Enterprise Zones in the UK (1981–2006) and England (2011 to present), and Empowerment Zones (1993–2009) in the US. Enterprise Zones originated in the UK in the early 1980s. The model was transferred to the US in the form of State Enterprise Zones and subsequent Federal Empowerment Zones. The return of Enterprise Zones in England imparts a ‘circularity’ to this process and offers the potential for historic and comparative lesson learning to inform the new programme; an opportunity, we argue, that has been spurned by the Cameron administration.

The paper comprises four further sections. Section two introduces Enterprise Zones, Empowerment Zones, policy learning and our methodology and, thus, establishes the parameters of our

study. Section three provides a commentary on selected key features of the Enterprise Zone and Empowerment Zone programmes: ideology, policy tools, geography, implementation and outcomes. Section four provides a cross-national commentary on these key features and the degree of policy learning incorporated into the new wave Enterprise Zones in England. Section five offers some brief concluding observations.

Background to the study

Spatially targeted fiscal incentives use tax breaks to underwrite the cost of private sector property development or employment creation and, thus, counter local land and labour market failure in designated areas (McGreal et al., 2002; Adair et al., 2003). In intervening at the micro (local) rather than the meso (regional) or macro (national) level they typify the international ‘area based’ orthodoxy of regeneration (Andersson and Musterd, 2005).

Notwithstanding the longevity of the Enterprise Zone programme, spatially targeted fiscal incentives have proved an atypical approach to regeneration in England (Urban Task Force, 1998). In the 1980s, urban policy was market-orientated and property-led. Enterprise Zones were deployed alongside ‘gap financing’ instruments (e.g. Urban Development Grant; Goodhall, 1985) designed to stimulate private sector investment on a project by project basis. The responsibility for ongoing area regeneration was transferred to business led agencies (e.g. Urban Development Corporations)

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accountable to central government (Imrie and Thomas, 1999). In the 1990s, centralisation and privatisation were displaced by government sponsorship of holistic regeneration schemes (incorporating economic development, employment, education, crime, housing and health) provided by inclusive local partnerships on behalf of the local population. Examples included the Major government's City Challenge (Davoudi and Healey, 1995) and the Single Regeneration Budget (Hall and Nevin, 1999), and the Blair administration's New Deal for Communities (Lawless, 2006). Enterprise Zones remained in the background, largely forgotten, during this period. It is only in the past half-decade that spatially targeted fiscal incentives, in the form of Business Improvement Districts (Cook, 2008), Tax Increment Financing (Squires and Lord, 2012) and, of course, Enterprise Zones, have re-emerged on the political agenda.

The US Empowerment Zones formed part of a wider 'community empowerment agenda', as detailed in the Department of Housing and Urban Development's (HUD) report *Empowerment: A New Covenant With America's Communities* (HUD, 1995). This was interpreted as a shift from laissez-faire approaches to economic development and an attempt to include poorer marginalised citizens (McCarthy, 1998). For Boyle and Eisinger (2001), the Empowerment Zones were informed by the experience of the 1960s Federal Model Cities programme and the 1980s State Enterprise Zones (cf. Riposa, 1996; Rubin, 1992). Model Cities was established by the Demonstration Cities and Metropolitan Development Act, 1966. A place-based strategy, it aimed to revitalise poor neighbourhoods in situ. However, it was criticised for its top down approach to community participation, spreading resources too thinly to over 120 cities, and lacking integration between community, economic and physical development (Boyle and Eisinger, 2001). The policy lessons drawn by the Clinton administration from the State Enterprise Zones were the benefits of competition for zone designation, plus prohibition of subsidies for industrial relocation into a zone. The holistic approach in Empowerment Zones reflected an awareness of the weaknesses of previous narrow, property development based initiatives such as Urban Development Action Grants (McCarthy, 1998). The Empowerment Zone programme was premised on encouraging indigenous, holistic, place based renewal with an emphasis on enterprise that met wider strategic development.

A comparison of UK Enterprise Zones and US Empowerment Zones is timely. The extant literature focuses primarily on the US to UK urban policy transfer process (Hambleton and Taylor, 1993), facilitated by a shared 1980s culture of 'privatism' that prompted the Thatcher government to look across the Atlantic for policy ideas to alter the balance of influence in urban policy implementation and outcomes positively in favour of business (Barnekov et al., 1989). However, the EZs represent a countervailing example of a UK urban policy idea imported into the US (Butler, 1991; Mossberger, 2000). Moreover, the original British ideas evolved in the US during the next quarter century, blending economic incentives, social services and local participation (Riposa, 1996; Lavin and Whysall, 2004). The process has come 'full circle' with the re-introduction of Enterprise Zones in England in 2011, permitting a lesson learning exercise along a *historic* dimension, in which the new English EZs can be compared with their 1980s predecessors, and, a *comparative* dimension, in which the new English EZs can be compared with the Empowerment Zone programme, initially inspired by UK policy, but deployed and developed in a different context.

The interest in policy transfer and lesson learning here is, thus, as a lens to interpret the re-introduction of Enterprise Zones in England. We, thus, follow Rose (1993) who argued that, in responding to a demand to 'do something' (in this context to promote economic growth in the context of recession and public austerity), a government will want to ensure success by: (1) relying on what has worked before (a backward looking strategy) and

learning lessons from the past; or (2) establishing a proxy evidence base by learning lessons from similar policies deployed in similar contexts elsewhere (a forward looking strategy) (cf. Wolman, 2009). In addressing the latter, it is, of course, essential to be aware of the contrasting socio-economic contexts of the case study countries (Rose, 1993; Hantrais and Mangen, 1996).

Methodologically, the study took a qualitative format (Corbin and Strauss, 2008) in a critical realist approach characterised by a non-dogmatic method in understanding a particular 'real' subject via multiple abstractions (Sayer, 1999). The method involved a review of policy and practice documentation, including academic and practitioner evaluation outputs on Empowerment Zones and Enterprise Zones in England and the U.S. This was supported by primary interviews with approximately 15 key academics and practitioners, conducted in the US in August 2011. Key informants included Federal authorities evaluating Empowerment Zones (e.g. Government Audit Office, GAO), academic researchers directly involved in Empowerment Zones, and think-tanks with working knowledge of the Empowerment Zone programme (e.g. The Urban Institute, The Urban Land Institute, and The Brookings Institute). The selection of interviewees took the form of a snowball method to enhance the number of potential informed interviewees (Denzin and Lincoln, 2007). The research focus, from a reflective experience in administering and advising the programme, gave this study a macro-level, rather than micro (i.e. individual case study), perspective.

Enterprise Zones and Empowerment Zones: key characteristics

In this section, we document the key characteristics of the UK Enterprise Zones and the US Empowerment Zones. We consider four key features. The first two, ideology and policy tools, are national 'policy design' factors. The remainder, geography and implementation, are locally differentiated factors identified as determinants of zone processes and outcomes (DoE, 1995; Rich and Stoker, 2010). We also, briefly, consider zone outcomes, identifying additional factors that account for uneven performance.

Same old ideology, with a new paradigm shift

The original UK Enterprise Zone programme had an unusually long lifetime (25 years). The ideological context for planning and regeneration changed significantly during this period. The intellectual genesis of the Enterprise Zones is usually attributed to Professor Sir Peter Hall whose 'freeport' solution, articulated in the late 1970s, dove-tailed with the neo-liberal ideology of the Thatcher administration, elected in 1979. Thatcher introduced a programme based on tax breaks and planning deregulation intended to last ten years. The Enterprise Zones were designed to be ideological exemplars of the Thatcherite 'enterprise culture' as applied to the built environment (Deakin and Edwards, 1993). The EZ scheme was commonly described as an 'experiment' and it was not until the official national evaluation of the programme (1995) that aims and objectives were identified (retrospectively). These were: 'To test, as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal boundaries, and by the removal and streamlining of certain statutory or administrative controls' (DoE, 1995, 1). However, by this time, and (partially) in response to the perceived dysfunctions of the Thatcherite approach, the governments of John Major and, subsequently, Tony Blair re-established the primacy of the plan in land use planning, and emphasised the importance of a more strategic, sustainable, and participative approach to urban development (Tiesdell and Allmendinger, 2001; Hall, 2003).

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