



# Come on Boris – London’s economy needs you now

The capital’s jobs and wealth have been through tough times before and come back. But this time especially they need the Mayor’s help



TONY TRAVERS

**I**N THE wake of the swingeing job cuts announced by Citigroup and others, there is no longer any escaping the truth. The banking crisis is feeding through to the “real” economy. And yesterday’s report from the Local Government Association predicts that the South-East will suffer proportionately more job losses than any other part of the country. The mood is already gloomy.

I do believe that the capital’s economy will re-emerge. But when growth returns, we will face a very different world. There will have been a reduction in City-type employment of 50,000 to

100,000 jobs. The billions earned each year by banking will, in part at least, have to be replaced by something else. The question is: what? For the sectors that have driven the London economy since 1986 will grow only modestly in the next upturn.

In theory, for Mayor Boris Johnson, the financial collapse could actually be a lucky break. It is a chance to remake the city, while unemployment and bankruptcies cannot be laid at his door. Nevertheless, the mantle of leadership has now passed from financiers to politicians: the Mayor faces a big challenge. He is the capital’s civic leader and Londoners will expect him to come up with a recovery plan. He will also have to use his engaging personality to cheer people up when the going gets tough.

Yet there has thus far been a lack of urgency about the need for a full economic recovery plan: he has moved much less quickly than he did over knife crime, for instance. He has been readier to defend bankers than to point the way forward. Yesterday he addressed the first meeting of the economic “war council” founded by London Minister Tony McNulty. But City Hall needs to work much harder with McNulty, the

City of London Corporation and business organisations to produce a short and longer-term recovery plan.

Where might London’s new employment and wealth come from? It is important first of all to realise that the capital’s economy has changed many times before. Whole industries virtually disap-

peared from the capital in the 20th century: its teeming docks and breweries, the furniture industry once based on Tottenham Court Road, the rag trade in the streets around Oxford Street and an array of manufacturing in the East End. Indeed the City of London’s contemporary traders are very different from the bowler-hatted City gents of even the 1950s. The Big Bang put traditional stockbrokers and bankers to the sword.

The decay of the older industries often caused great pain to those displaced. But looking at the capital’s economy as a whole, London embodies Joseph Schumpeter’s characterisation of the “creative destruction” of capitalism better than any other part of the UK. The scale and underlying power of London and the South-East’s economy is its single best long-term asset.

As such there are grounds for opti-



mism. The capital is not in the position of, say, South Yorkshire or Merseyside in the 1980s, which were left with little significant private-sector employment when old industries closed down. Much of our wider economy remains strong and with immense potential for longer-term resurgence — even though the effect of this recession on the financial sector should not be underestimated.

A Keynesian boost from Alistair Darling's infrastructure projects may help, though the economic effects of these will take some time. Crossrail is almost ready to start construction. Thameslink, Tube upgrades, the Olympics and the East London line are in progress, though the Underground Public Private Partnership needs extra cash — which the Government has ruled out. South London commuter services and stations desperately need improvement. Such spending would be a "back to the future" version of the 1930s "New Works Programme" which expanded the Tube in an attempt to cut the unemployment left by the Great Depression.

But beyond public works, the Mayor needs to encourage and nurture the post-recession London economy. It would be implausible to imagine traditional manufacturing, such as car-building, making a comeback. So the Mayor and his team must seek elsewhere to replace the banking sector's contribution. They will need to stimulate these

## **'Tourism is a sector with massive potential for us. China, India and Russia will generate vast numbers of new tourists in the years ahead'**

expanding sectors with co-ordinated marketing, land-use and funding policies.

He should not write off the City. Foreign exchange, insurance, commodities and, whisper it, some forms of banking

can still grow. They need care and attention from politicians, while the City Corporation needs to work to rebuild public confidence in its industries.

The Mayor will need to look elsewhere, too. First, tourism is a sector with massive short- and long-term potential. The economies of China, India, Russia and beyond will generate vast numbers of new tourists in the years ahead. West End theatre is the best thing of its kind in the world and, along with the capital's unparalleled museums and heritage, a

big draw for the world's growing middle class. London has some of the world's best art and architecture schools. In a less glossy near-future, Britain's cheap-and-cool fashion, music and talent will be a tremendous asset.

Harley Street is another potential beacon of growth. The scale of medical expertise in London is such that millions more affluent foreigners could be tempted to be treated here. Much the same is true of education — old and new universities and private schools all have reputations that mean they could radically increase their overseas intake if they were allowed to expand. Indeed sterling's weakness provides a major opportunity for London's export-led tourism, health and education sectors.

Even manufacturing could make a limited return: smaller-scale activities, particularly ones that add value by bringing together the capital's designers and new companies, could be encouraged. There will be a need for start-up spaces and creative buildings on the edge of the city centre, and that will demand a planning strategy.

Agencies such as Visit London, Think London, Film London and London Higher, which respectively promote tourism, inward-investment, film and universities, will need additional resources. Now is not the time to make "efficiency savings" in these bodies. Indeed, there may be a need for new ones, for example to promote the capital's health sector:

London has been in a similar state before; what is happening in the City and Canary Wharf now is not the end of everything. But if the good times are to return, the Mayor, the City Corporation and national government need to

work together to achieve it — and that has to start now.



**Time to get cracking:** the Mayor needs to work with London organisations to produce short- and longer-term economic recovery plans