

## Open Letter: the Economy of Nottingham - September 2020 (Version Two)

Dear Councillors

### **The Nottingham Economy over the last 50 years**

I have lived in Nottingham since 1967 when I came to Nottingham University to study economics. At that time Nottingham was an industrial city. People made things. In the 1971 census about 40% of the labour force was employed in manufacturing – slightly above 40% for male employment and slightly below for female employment. In addition nearly 10% of male employment was in construction. Large local employers included Raleigh bicycles, Players cigarettes, Boots and Plessey's telecommunications in Beeston. There was also the Royal Ordnance Factory. Just a bit further afield, many men were employed in the coal mines and in quarrying. 50% of women's employment was in hosiery, lace, textiles and clothing. A half a century later almost all of this employment and these employers have gone – the almost complete de-industrialisation can be measured by the fact that employment in manufacturing has shrunk from 40% to about 4%.

So what do people do now? A large proportion of the population of Nottingham are in the official statistics as "economically inactive". They are not in employment and are not registered as unemployed and looking for work either. In 2017 the UK rate for economic inactivity was 22% - in Nottingham it was nearly 38%. That is partly because there are about 36,000 students in Nottingham but also partly because of an increasing number of long term sick - over 20,000 in 2017 (risen from 15,000 in 2007).

If we now turn to what the people who are employed do then very few of them are making anything – they are administering things and providing support services instead. One quarter of employment in Nottingham is "Business Administration and support services" - that is one of the largest proportions in the UK and very vulnerable to current economic conditions. According to a 2019 study by academics at Nottingham Trent University "Business Administration and support services" "includes "back office" service activities, such as call centre and other support services, and recruitment agency employment. It is by far the largest employment sector in Nottingham, which makes the city vulnerable to certain kinds of demand-side shocks (i.e. particularly those that affect other service sectors) as many activities in this sector can be relatively rapidly downsized (e.g. the discontinuation of contracts with temporary and agency staff)."

Another feature of the Nottingham economy is the low skills and the low pay – particularly for people who live in the city. People who work in the city but live outside it and commute do much better. Median hourly earnings of Nottingham residents last year were just over £11.50p an hour. Median hourly earnings for the UK as a whole - nearly £14.50. (The "median" is a statistical term which means, in this case, that half of people earn more and half of people earn less than this figure ).

Meanwhile the highest paid people in Nottingham were often the ones that were commuting in every day from the suburbs and commuter villages. "In Nottingham, the average earnings of people working in the city (but potentially living elsewhere) significantly exceeds the earnings of those living in the city." The comparison with Rushcliffe is particularly striking – in 2017 the median hourly earnings for residents of Nottingham are £11.50 while the median hourly earnings of residents in Rushcliffe were £18.50. The wealthy areas are in South Nottinghamshire. To the north are the former coalfield areas where Notts miners who did not strike in 1984 were rewarded by being made redundant when their pits were closed. (Reference 1 )

In the last few years under the leadership of John Collins the City Council had a local economic development strategy of promoting the city as a regional shopping capital, commercial, nightlife and entertainment centre – partly resting on the growth of the two universities. As an ecological economist I never supported this high consumption and debt strategy on sustainability grounds and now the chickens are coming home to roost. Globally and nationally growth rates were already falling, household and commercial debt rising and economies were becoming more unstable even

before covid 19. In current circumstances councillors and policy makers are advised to keep an anxious eye on a number of trends which could well make what was already a bad situation a lot worse.

### **Energy and the fall in growth rates**

There has also been a fall off in growth rates and a trend to what economists are calling “secular stagnation” due to the rising cost of energy extraction as fossil fuels deplete. Paying for rising energy (and food) costs is leaving consumers with less discretionary purchasing power for shopping. In December 2008 Nottingham City Council was the first in the country to adopt a policy resolution to prepare for peak oil. This policy has been largely forgotten. Instead parts of Nottinghamshire and elsewhere were put into turmoil by the oil and gas industry’s fracking intentions – which was their destructive way of trying to avert a depletion crisis by opening up new sources of fuel. At the time of writing it looks as if this strategy is a failure.

At any event depletion in oil and gas fields across the world has continued. The energy cost of extracting/processing/delivering energy has risen continually. In the 1960s the global energy cost of energy was less than 2%. By the end of the century it was 3.5% and now it is about 8%. This has [real world effects](#). In the 1960s 98% of the product of the energy sector was available for the rest of the economy – to power the vehicles, the appliances, equipment and infrastructures which underpin all economic activity. Now the energy sector must use 8% of its gross energy outputs in its own operations and can therefore deliver only 92% to the rest of the economy. This is likely to be the reason for what has puzzled economists – the fall of growth rates that they call “secular stagnation”. The rising energy costs inside the energy sector itself cannot be simply passed onto consumers – it drains consumers of purchasing power and brings about stagnation. Because the rising energy costs of energy cannot be passed on sufficiently the energy industry is becoming more vulnerable to bankruptcy. It is not just Robin Hood Energy that has been in trouble.<sup>1</sup>  
( Reference 2 )

Even were there to be a recovery from covid 19 and no problems with Brexit the economy would still be in trouble. If there is no growth of incomes because of energy related secular stagnation then how are people to service the interest on high levels of debt? In mid August 2020 a news item in the Nottingham Post reported that vacancies for debt collector jobs had soared by 20% (nationally).

### **Economic changes brought about by the internet**

The effects of home working brought about by covid 19 threatens to undermine the need for city centre office space. National figures are that, before the lockdown, 6% of workers were working from home. Overnight this went up to 43%. The productivity of home workers has been found to be high so companies are likely to ask – why pay premises costs since working from home is popular anyway? Why not cut costs by cutting rented office space? The implication for companies building and renting offices are profound.

The so called “retail apocalypse” is devastating for the city centre strategy. The energy trends which have drained purchasing power away from non essential purchases to pay for energy and food has made much retailing vulnerable. One response of consumers has been internet shopping and covid 19 has reinforced this trend. Internet ordered and home delivered shopping is and will undermine takings at the major city centre shopping premises. Clearly this also hits the city centre – and the viability of city centre commercial property. I don’t need to tell you this as you will already be aware of the struggles of **Intu** with debt – with consequences for the Victoria and above all the Broadmarsh shopping centres.<sup>2</sup>(Reference 3)

### **The decline of the city centre and the transport crisis**

As offices and shops are less busy city centre footfall declines and there are knock on negative consequences for ancillary city centre activities which are dependent on people using offices and visiting shops. Data published on the Centre for Cities website suggests that in some cities,

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1 Failed municipal energy company set up in Nottingham with intention of helping poorer customers

2 Owner of Victoria and Broadmarsh shopping centres in Nottingham that collapsed into administration in June

including Nottingham, people are visiting the centre less but spending more when they are there. However this will not help pubs, clubs, cafes, hairdressers, cinemas etc. You might do more shopping in fewer visits but people do not eat more restaurant meals or increase the number of coffees that they drink when they visit the city centre.

The city centre strategy necessitated a corresponding strategy for city transport. In order to get people into and out of the city centre and keep a grip on traffic congestion the park and ride system complemented by buses and the trams have been a major part of the city's infrastructure. However covid 19 has put a major strain on the finances of this infrastructure. If the pull of the city centre is reduced over a long term questions must be asked how sustainable will be the financing of buses and trams. At the moment there has been emergency central government financial support for buses and trams but will this be permanent? Weekday demand for bus services outside London are only 37% of pre-pandemic levels. (Reference 4)

### **The Universities and the Local Economy**

There could be longer term trends too. For example will there be a loss of confidence in a university education being a ticket to a high income job with implications for the future of the University of Nottingham and Nottingham Trent University? "Education education education" as a policy strategy did not, in fact, translate into more higher paid and skilled jobs. University student numbers rose more rapidly than graduate jobs. Nottingham has done well in competition between universities but will its competitive advantage be sustained sufficiently? In current circumstances newly graduated young people are starting their work life saddled with high debts and a large proportion end up in the gig economy, in the "precariat".

As the economy goes down one would expect to find a reduced willingness and ability to take on debts to get a degree with a doubtful job outcome. Mum and dad will have less money to subsidise studies and pay student fees while the part time jobs like bar work will not be there to support students. To that should be added a question mark over how many foreign students will now be wanting to study in post Brexit universities. (Reference 5)

Depending on the degree to which student numbers fall it could impact the universities leading to vacancies and funding problems. There would also then be vacancies in properties in residential areas that have been given over to renting term time accommodation to students.

In the long term this will also hit the city centre economy at night – Nottingham declared itself a 24 hour city a few years ago to make the most commercially of its pubs and night clubs. There are questions about how much the night life that depends on students and young people having money to spend will be sustainable.

In the face of a shrinking consumer economy what is in any case needed is a greater proportion of more practical education and training – to develop skills in organic cultivation, as well as in building, energy, textile and clothing trades. It is also important to revive home economic skills – so that young people can cook from basic ingredients that they grow themselves and can mend clothes and products rather than throw away items that are still useable with "make do and mend" skills and the corresponding mindset.

### **The Crisis in Commercial Property and City Council Finance**

There is likely now to be a crisis in commercial property and local authority revenues at the same time. The commercial property crisis will have knock on consequences for pensions and the revenues needed to maintain property in good condition. It will also hit local authority revenues just at the time that....

.... there is likely to be a rise in costs to the city council to pay for the increased need for services like policing, social services and, because of increased job loss, homelessness and social problems, an increased incidence of physical and mental health problems. (Reference 6)

### **The Covid 19 situation and Public Health – an ongoing issue**

What covid 19 is teaching us is that public health needs can trump economics and it is short term and short sighted to neglect the consequences of extreme inequality. In places like California the total abandonment of homeless people has led to addiction, excrement on the pavement and the reappearance of "medieval infectious diseases" like typhus. In Nottingham too there have been cases where anti social behaviour by severely deprived and excluded people in desperate circumstances has led to public health risks - including human excrement on the footpath to my terrace. Such people need support in all our interests – the main mental health need is adequate accommodation and security for basic needs and basic income. (Reference 7 )

As regards covid 19 in particular it is too early to assume that this pandemic is now passed. It is still possible that there will be a second wave this autumn and winter and, even if this does not happen, one worry has been the significant number of people in working age who have, or are, suffering from so called "post acute - long covid" . This entails symptoms including chronic fatigue, muscle weakness, loss of smell and concentration difficulties lasting several months.

Needless to say a reimposition of a lockdown would be devastating for the economy and even if this does not happen a significant number of people with "long covid" would be a weight on the economy. In the longer term too it cannot be ruled out that there will be other disease outbreaks and health problems because of land use changes brought about by economic growth causing new configurations of animal species like bats in close contact human settlements lead to viruses jumping across species barriers. This is without mentioning the declining effectiveness of anti-biotics against diseases that are now resistant to anti-biotic treatment. (Reference 8 )

### **The National Economic Situation – Bounce back or continued problems?**

These many problems are by no means unique to Nottingham but may be worse here partly because of the unravelling of the previous strategy. For a time as the lockdown is eased it has looked as if the British economy is bouncing back fast. For example some pent up demand in the housing market has even led to rising house prices while footfall in some seaside resorts has been way above what one would normally expect. Yet these first signs of recovery were happening during what remained of "the holiday season" when people have not been going abroad and the visits to the seaside have not been matched by a big increase in spending in resorts that remain run down.

More significantly for the general economy is the bounce back in house sales because a rise in mortgages would inject new money into the economy. A survey of a few years ago showed that a majority of MPs did not know that most money in the economy is created when banks lend – particularly when mortgages are granted for house purchases. That's why it is particularly important what happens now in the housing market. However the rebound in sales that has occurred looks like it is going to be very short term. Lenders are being very cautious – asking for higher deposits from borrowers. The stamp duty holiday on house purchases is not permanent. The market may slump afterwards. (Reference 9 )

In the second quarter of 2020 UK business investment fell by more than 30%. Falling business investment and falling new mortgages together would mean a very deep recession. The decline that has afflicted Britain before covid can be traced back to the decline in North Sea oil and gas revenues after production peaked. The oil and gas money that bailed out Thatcher and governments afterwards is largely gone. Fracking has clearly failed as an alternative onshore way forward for the gas sector. Sterling is no longer buoyed up as a petro-currency. The City of London is now threatened with serious losses from Brexit relocations.

Many problems are coming together – Brexit which among other things, may put up food prices; indebtedness for companies and individuals together making for finance sector instability; new diseases that arise from ecological disruptions that result from climate and land use changes; climate disruption of harvests and crises in the energy system which would also push up food prices. Home working is popular now but many people may find to their dismay that they lose employment rights and security if and when they are converted into freelance workers and join the "precarariat". In the meantime the commercial property market may implode taking pensions for

people like myself into a financial abyss. If this government adopts a renewed austerity approach the collapse will be even more catastrophic.

### **Escaping “Continuity Bias” – The end of economic growth**

It is time to sober up and review comprehensively what has gone wrong and what can be done now, with fewer resources. In conditions like these there is a danger that politicians and key decision makers will be misled by “continuity bias” - which is an assumption that things will “return to normal” where “normal” is assumed to be a continuation of previous trends. When things do not “return to normal” what happens is that out of touch policy makers and developers assume that “the recovery has been delayed” rather than acknowledging that circumstances have changed for good and will not come back. For example when one acknowledges the crisis in the fossil fuel industry with giant oil companies like ExxonMobil shrinking in the last few years, many other oil companies going bust and bankruptcies in the coal industry it seems implausible to assume that this sector will be able to supply the extra fuels for an expansion of the economy that some “experts” are naively assuming will be there. (Reference 10 )

Renewable energy systems will supply some energy to be sure but some oil, gas and coal will be vital for the next few years. This is because currently 85% of global energy is supplied as fossil fuels and history shows that it takes decades to switch over to a new energy system. Most technical infrastructure is constructed to run on derivatives of oil, natural gas or coal. This cannot be changed overnight. Eventually the decay of the energy infrastructure and its intermittency as sun and wind vary may even undermine the new home working and internet economy.

Unfortunately it is not usual for politicians to tell the truth about hard times but that may be partly because they do not have a realistic picture of how conditions are fundamentally changed. In this regard there is a big difference between thinking of difficulties as *problems*, for which there are solutions, and thinking of them as *predicaments* for which there are NO solutions but which must be adapted to, and lived with.

### **The Future – a Resource Saving Strategy while returning to being a Garden City**

A future of multiple predicaments which must be lived with means the Labour Council need to have a realistic dialogue with the people of Nottingham about what can be done in the way of a community economic development strategy. This strategy needs to have a high green economic component. Before the Industrial Revolution Nottingham had a reputation as a garden city and a return to this may be appropriate. Thus the area that is currently the Broadmarsh shopping centre could be turned into a park or open green space – or even allotments if the the land contamination that is the probable result of two centuries+ of urban development can be cleared and cleaned up.

If that idea appears to be shocking and outrageously inappropriate to some people it might be because they are suffering from “continuity bias” and have not taken in the scale of what is currently happening. Several people have mentioned to me the high land value in the city which they believe precludes using lands for green space. However, land valuation depends on the demand for particular locations as sites for development and what these locations would be worth in rental values. The point is that the trends described here points to a long term collapse in the land market. If my analysis is right the end of growth in Nottingham means the end of demand for new development and that would mean sites being left unused and, eventually, becoming derelict. In these circumstances a conscious choice for gardens would be entirely appropriate.

In the 19th century at the time of the enclosures the cities managers designed a necklace of green walkways and parks and today’s managers need to again put green space at the centre of their development strategy. It will be noticed that parks and allotments do not involve the great expense of building offices and shops for markets and activities that are disappearing.

What does still exist is a need for energy efficient homes and there is a case for renovating and converting appropriate buildings that already exist more than building new ones. If the office and shop space that already exists falls derelict then conversions to residential space would be better

than the waste of demolition and building anew. I doubt that in the next few decades there will be resources for new build anyway. In Nottingham a lot of former factories have been converted into student accommodation over the years and one wonders, if the universities do shrink, whether some student accommodation too will become available for re-development – but this is speculation at this time.

A great deal of effort must be put into helping people to save on resource use and help each other in a mutual aid strategy and in “make do and mend”. Much is written about efficiency but there is an additional need to promote sufficiency agendas to save energy, save expense, and to share common services and facilities like Hackspace and other Resource Centres. Given the hard times that we are entering it is important that city council services serve the interests of all. That means that council services and assets do not get sold off and exploited to the interests of the remaining wealthy. It will be important to use local green spaces to grow a lot more of our own food, to strengthen links between the city and local farmers and growers, to save the costs of unnecessary travel and to reduce carbon emissions too. All these will match and complement environmental and climate policy agendas. Policies like a universal basic income and universal basic services would help too but are not within the power of the city council – however it can and should join the call in pushing for them.

Best Wishes and good luck

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