

Crossing Channels

Interdisciplinary answers to today's challenging questions

A Podcast series hosted by **Rory Cellan-Jones**

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HOW CAN UNIVERSAL BASIC INFRASTRUCTURE SUPPORT GROWTH?

With

Jean-Paul Azam (IAST)
Diane Coyle (Bennett Institute)
Andy Westwood (University of Manchester)

FUTURE

How can universal basic infrastructure support growth?

HOST

Rory Cellan-Jones (former BBC correspondent)

SPEAKERS

Jean-Paul Azam (IAST), Diane Coyle (Bennett Institute) and Andy Westwood (University of Manchester)

Rory Cellan-Jones 00:06

Hello and welcome to Crossing Channels, I'm Rory Cellan-Jones. Can universal basic infrastructure support growth in different places? That's the subject of the latest in our podcast collaboration between Cambridge University's Bennett Institute for Public Policy, and the Institute for Advanced Study in Toulouse. As ever, we're going to use the interdisciplinary strengths of both institutions to explore a complex challenge. Why is it so hard to iron out geographic differences in economic performance? Why are current policies failing to tackle regional inequalities? And how might a universal basic infrastructure boost productivity across all places? To explore these issues today, we have Diane Coyle from the Bennett Institute. Diane, start us off, what does your research focus on?

Diane Coyle 01:04

Well, I'm an economist. And a lot of my research is about productivity. And one of the key aspects of productivity is why it differs so much in different places. So that's what we're talking about today.

Rory Cellan-Jones 01:14

And in the interest of full disclosure, I should probably mention that Diane and I have been married for 33 years. Joining us from the IAST we have Jean-Paul Azam. Jean-Paul, what are your main research interests?

Jean-Paul Azam 01:26

I'm an economist. I focus on political economy. I spent a lot of time working on Africa. So there is an anthropological dimension, but I work as well a lot on other countries, and currently based on France.

Rory Cellan-Jones 01:46

Well, we'll look forward to hearing from you on that, Jean-Paul. And joining us from the University of Manchester, we have Andy Westwood. Andy, reminds us of your main research interests.

Andy Westwood 01:51

I've got a background in public policy. So I'm particularly interested in how governments do all of these things. But like Diane, I'm particularly interested in productivity and how local and national government work together, or don't work together.

Rory Cellan-Jones 02:12

Well, we've got a lot to explore. So Diane, why don't you start us off? Because you and Andy have written in a recent report calling for the implementation of a, quote, 'universal basic infrastructure' which we're gonna call UBI. So what is UBI? And what use might it be in particular in the UK?

Diane Coyle 02:25

We have just released a report, Andy and I with our colleague, Stella Erker, calling for universal basic infrastructure as a means to start to tackle the very different fortunes of people living in different places around the UK. And obviously, the name alludes to a very popular policy that some people have called for universal basic income. But we're arguing for infrastructure being more important than income, because income, you know, obviously, we all need, enough to buy the things that we need: the food, the housing, the rent, the leisure time, and so on. But what's really important for people to get on, have the opportunities they need in life, is that infrastructure, the investment in all the assets that create opportunities. And so that's partly things like transport networks, broadband networks, but also having a decent school and hospital system. And also what's sometimes called soft infrastructure, or places where people can come together that allow them to do the things that allowed them to get on to get on in life. And so it's about the sustainability and people's ability to shape their own futures. What we found in the

report was huge variation across the UK, in some of the key components of this universal basic infrastructure.

Rory Cellan-Jones 03:44

And did the lack of that universal basic infrastructure in some places actually read out as onto statistics about inequality and different economic performance. Were those places without the infrastructure definitely worse off?

Diane Coyle 03:57

Well a simple example of exactly that would be that if you don't have access to a bus stop and a good bus network, then you're not going to have much choice about where you can get to work. And so that immediately limits people's job opportunities. So there's definitely a link between access to these different things that people need to live decent and productive lives. But it's also an issue for growing places as well because somewhere that has created jobs and wants to bring in new housing, if the infrastructure isn't there is going to limit the capacity for that growth as well. So actually, it is linked to inequality across places, people have to have a minimum, but it's also linked to constraining growth in places that are doing much better.

Rory Cellan-Jones 04:42

Andy, in your view, what makes UBI a more effective policy than other approaches we've seen in the past. We've already heard about universal basic income, universal credit and so on. But we've also had a whole range over the last 30, 40 years, different regional policies that have been tried and often failed.

Andy Westwood 05:01

I think the key thing is, as Diane's just said, it's collective rather than individual. Looking at the needs of a particular kind of group of people in a particular place, rather than their individual incomes or individual needs. And it seemed to us to be very hard to build the services out of an individual income approach, rather than bringing them all together and thinking about, what do particular places need in order to function in an optimal way? It's not meant to entirely replace those other things like a good benefit system, paying a reasonable amount of benefits, as well as other individually focused systems. And policies are still meant to kind of work alongside this. But it's that it's that collective approach that matters most I think, and without that, we just have very ineffective place based policy, which, as you say, is something that certainly in the UK, and particularly in England, we've been pretty bad at for the last 30 or 40 years, largely because we just keep chopping and changing arrangements for different policy approaches. And so another aspect of universal basic infrastructure, as we see it, is to adopt it for the long term. And to use it as a way of organising and coordinating the delivery of particular services and activities. So that's a lot of change for an English system in particular that hasn't got used to doing any of those things, or certainly hasn't got used to doing any of those things well.

Rory Cellan-Jones 06:36

Jean-Paul, as we've heard, Diane and Andy are talking very much about the UK context, and particularly the English context. What are your thoughts on this proposal from the viewpoint of someone who looks at obviously, the French economy, but also across Africa? Is it too radical, too ambitious?

Jean-Paul Azam 06:53

No, I think it is a long-term view. Not, I hope not, so long. But the key change or slight change in emphasis is very important to grasp. Because talking from a French point of view, the fact that the areas in France that are badly equipped with a basic infrastructure are usually easily characterised or stigmatised by some people as being people with Muslims or people with very poor people. And this triggers a lot of understated appeal for various kinds of segregation. So once you emphasise this point, and you take it seriously, it is a very important handle, from a policy point of view, to take the government to task.

Rory Cellan-Jones 07:50

It's a kind of a measurement process whereby you can actually assess what governments have done in terms of levelling up between regions.

Jean-Paul Azam 07:58

Well it's not just regions. In the same city, like Toulouse for example, there are areas which are completely treated as colonial places with a very violent police and nothing is done really from a point of view of infrastructure, education and these kinds of things. That's what I have in mind.

Rory Cellan-Jones 08:29

Diane, let's talk about the 'U' in this, the universal, and why it's so important. Are you saying that what we need to do is set down minimum numbers of buses, minimum speed of broadband, a whole range of metrics, really, which every area will have to attain?

Diane Coyle 08:37

In effect, yes. Or at least give people the metrics for asking why their place is doing so much worse than some other places? I think Jean-Paul just raised a really important point. I'm an economist, as is he, and we are talking about economic growth prospects, and what kind of jobs can people get to? But actually, there is a democratic aspect to this as well. And why should people living in certain places not be able to expect as good a set of infrastructure and services as those living in more affluent places? If for example, we are expecting people to apply for passports online or even in future vote online, access government services online, then surely, it's absolutely reasonable to say there must be minimum broadband speeds everywhere, everybody is a citizen and has the right to access those. And we have in UK political discussions, this allergy to what's called a postcode lottery, we can't do such and such policy because it will create a postcode lottery. But what we found in this report is that my goodness, we have a postcode lottery already because there's so much variation between people's access to some basic services, depending on

where they live. The short answer is yes, it is a minimum. And we haven't in the report set out while you know this, it should be this broadband download speed and this broadband upload speed. But thinking about, what is the right level of aspiration for everybody in your country to have as residents and citizens, I think is a really reasonable question to ask in the context of the great geographic inequalities that we've seen emerging.

Rory Cellan-Jones 10:22

Andy, can't this actually prove vastly expensive and inefficient in some ways? We had, in this country, a few years ago, I think it was Boris Johnson promising gigabit broadband for everybody, literally 100%. And when I questioned officials, it was yes, everybody, until people began to realise that laying fibre optic cables up mountains to every remote farm was a bit daft. Doesn't this invite that kind of economic fantasyland stuff?

Andy Westwood 10:47

I think one of the hardest things to get right in, in the kind of infrastructure we're talking about, is that provision of something like broadband in the most rural of areas. So the key thing here, I think, is what's the right basic level of delivery that you can achieve. Bearing in mind that, as Diane said, this is the medium through which other services can be accessed. And there's a cost that can be absorbed towards this by doing that. But also, you know, there's just the realisation that you don't have to do all of this yourself, if you're a government, you can require a basic minimum of service, including to difficult rural areas. But the principle still still should apply. If you're a taxpayer or a member of society, you need to be able to access services and via broadband will be one of the most cost efficient ways to do it. And I think to follow up on the discussion so far, the point of this is both economic and political. So it's economic in that you want people to be able to have a platform for taking part in the economy and maximising their input to the economy. But there's also a solidarity issue politically. And if you leave people out, or you leave places out, whether they're rural or parts of towns or parts of cities, then you create all sorts of political tensions and problems for yourself as a nation, because you're undermining that solidarity. Once you take that broader view of both public service delivery, the economy and and the political context, the cost of reaching every area with a minimum level of something like broadband, I think is less prohibitive.

Rory Cellan-Jones 12:30

Diane, do rural areas actually need the same level of infrastructure as towns. People choose to live in the country often for rather different reasons. And maybe we're going to be gold plating the countryside?

Diane Coyle 12:41

Well, that's why we're talking about a basic level. So we're not saying everywhere has to be the same. It's not going to be super duper fast everywhere, but everywhere has to have a basic level. Because otherwise, to pick up on Andy's point, that is exactly the government riding off certain communities, and you don't really have a functioning nation if that's what you're doing.

Rory Cellan-Jones 13:18

Jean-Paul, I know, your research is mainly focused on the macroeconomics of Africa. Is this a realistic and promising movement, as it were, for promoting growth in Africa?

Jean-Paul Azam 13:16

Well, yes, and it's currently working to some extent due to various interventions in different countries, including by private companies. But a lot of business and trade is done through smart telephone. And it works. We have evidence that for finding the right price, for a good in which city rate the highest for the seller, or the cheapest for the buyers and all that it is working quite a lot of research has been performed on that. And the outcome is amazing in terms of increasing the business that these people are engaged in. It's a very simple thing, but it works.

Rory Cellan-Jones 14:00

I've been hearing for, I think, at least the last 15 years that mobile phones are going to be the technology that leapfrogs African economies ahead. And to be honest, although there are sort of pockets where that's happening, it doesn't seem to me that there's great evidence that is true so far. Am I wrong?

Jean-Paul Azam 14:18

The evidence is scattered. I agree with you. I haven't found a synthesis about all that. But I've heard many seminar presentations with very convincing evidence about that. One thing which is very important is that sometimes they simply don't need it because they have other mechanisms for transferring information and in some regions people are travelling a lot, especially traders, they make money like that. So it depends on what type of growth you're looking at. If you restrict your focus on modern industrial growth, you're not going to get much of that in Africa, even with a lot of infrastructure, although what is sometimes needed is institutional infrastructure, justice departments and these types of things that don't work. But it's the same in France currently. So you can grow differently in different places, handling different tools. Globally, I think the telephone has been amazingly useful for especially the countryside or the most remote areas of the big cities. So well, no, I'm more optimistic than you are.

Rory Cellan-Jones 15:38

Diane, you focus a lot on productivity, looking at the nature of productivity growth. It's your theory, isn't it, that universal basic infrastructure cannot just level places up, pull forward the left behind but boost economic growth everywhere?

Diane Coyle 16:08

Yes, so it's quite interesting listening to Jean-Paul, there's been a lot of discussion in the economic research into low income countries about the role played by infrastructure, and bodies, like the World Bank have long been helping that investment. The investment is still quite patchy. But I agree with Ron Paul, that on

balance, it's quite positive, you know, not all infrastructure delivers what's hoped for, but on balance, there's a clear link between investing in infrastructure and economic growth. So in a way, what Andy Stella and I did was try to bring that discussion to the home context in the UK, and talk about prospects for poorer places here. But it also matters for very dynamic places being able to grow as well. One of the features of the debate is not being able to build new laboratories or build new housing in growing places because people object to the congestion that will cause on the roads or the strain it will put on the electricity and water network. So the lack of investment in infrastructure actually constrains success, as well as holding back the places that have already been left behind. So it isn't just a question of levelling up, it's a question of, if we want a successful economy at all, we've got to invest in the basics that allow businesses to do their own investment and expand and people to get the kind of jobs that they want to do. It's just a sort of, in a metaphorical sense, as well as a literal sense, the wiring of the economy. And if you don't wire the economy, it's not going to grow.

Rory Cellan-Jones 17:30

And you just come back to your report, your report found that even in places like Cambridge, where you are, there were sort of some deficiencies in basic infrastructure.

Diane Coyle 17:40

Yes, the basic utilities, electricity and water are under great strain already and any hopes for getting people to accept large new housing developments as Michael Gove, the minister, has said he wants we will depend on them being persuaded that the ministers they already have are not going to suffer through many more people coming in and using them.

Rory Cellan-Jones 18:00

Andy, your report compares the UK unfavourably to Germany and France, lots of statistics saying, gosh, the UK is well behind East Germany, even. But aren't regional inequalities as big or sometimes bigger in those countries than they are in the UK? I mean, we know in France, for instance, that historically has been a very centralised place and huge amount of infrastructure in Paris but perhaps not in more remote rural areas.

Andy Westwood 18:45

No so there are obviously differences between places in both France and Germany, but the levels of inequality are much deeper within the UK than both of those countries. And as our report shows, and this is research that Stella Erker has, in fact, some fantastic data. And in the report, particularly looking at Germany, and it shows that the level of infrastructure is much more consistent across very different parts of Germany than it is in England. That's quite a surprise, I think, for lots of people, but it's a real problem from both perspectives in England. And that, of course, given that we looked quite heavily at places in the former East Germany. That's despite the challenges of reunification and the big, big gaps that existed in the 80s and 90s in Germany. So I think it's a real surprise that those inequalities are so much greater within the UK and in England in particular than they are in both Germany and France.

Rory Cellan-Jones 19:31

Jean-Paul, let's get your perspective on France here. I mean, would it surprise you to hear these two British economists saying, oh, we're so much worse than France, you seem to be quite pessimistic about regional inequality in France.

Jean-Paul Azam 19:45

Well the good news is that they have started to put the optic fibre for my place a couple of weeks ago. So it's improving. But to take things more seriously, the problem in France is a lot about institutions, which are segregationist in many ways. And the resulting violence that from time to time destroys quite a bit of the infrastructure. When people are fed up in one area, they destroy everything. And there is a kind of blackout in terms of information, and schools and bus stops, and many other things. The key point is that there is a deep sense that if you favour some areas, if you try to help some areas to catch up, then you sort of change the balance of power between the police and say, the migrants or whatever. And that's why there is a lot of reluctance to invest.

Rory Cellan-Jones 20:46

What you seem to be saying is that, you know, we shouldn't just think about economic growth in terms of the promise of UBI, it's got a chance of breaking that vicious cycle whereby people sort of destroy their local infrastructure in frustration and what's going on, can prevent violence.

Jean-Paul Azam 21:00

Remember, Adam Smith, who was saying peace, easy taxes, and reasonable administration of justice are what is requisite for the highest level of prosperity. What is missing in France is basically peace. And the main reason why it is missing is that the administration of justice is not reasonable. So that you have uprisings from time to time, in some parts of the city, there will be an outbreak of violence, and then the police will become even more violent and all that. So growth is fine if you have peace. And infrastructures play a key part in providing the requisite, as Adam Smith would say, for peace to prevail. And I have one example, if you allow me to, it's very short, it's what happened in Sudan. The Americans were preventing the pipeline to be built. But the Chinese took over, built the pipeline, a couple of months later, the rebels blew up the pipeline, which is very cheap by the standards of the oil industry, and then the government realised that they could not get the oil money unless they included the rebels in the government and the peace process started immediately. Because even the worst military officer had understood that if they want the oil money, they need to establish peace with the rebels. And as soon as this is done, the pipeline will bring an enormous amount of money to everybody. You can't have growth without peace, you can't have peace without infrastructure, a decent level of infrastructure. And you can't have the decent level of infrastructure, unless you have some political setting that is exactly adjusted to the situation of the those people.

Rory Cellan-Jones 22:56

We all seem agreed on the desirability of this idea that this is an idea whose time has come. But Diane and Andy, I want you to sort of finish by working out what challenges there will be in implementing it. Diane, is this going to be an easy win? Is it already being accepted? Or is there going to be large resistance to it?

Diane Coyle 23:18

Well it does imply spending money in different ways. So that's never politically easy. But we are going to have an election in the UK. So it might be easier if there's a government after the election with a large majority to demonstrate its commitment to the kind of places that have been experiencing decline, decaying services for such a long time. So in that sense, it might be an idea whose time has come. I think Jean-Paul's example was greater emphasising the collective aspect of this. So if you're talking about assets that everybody in the community can see are of mutual benefit, then that does help with the, in addressing the kind of political polarisation and disagreements that we've been experiencing, you know, as your question implied, not just in the UK, but in lots of other countries too. So maybe having written this about the UK, we can take universal basic infrastructure international and recommend it for other places. Infrastructure needs investment, investment is money that's got to be found from somewhere. Some of that will be government. Some of that will have to be private sector.

Rory Cellan-Jones 24:27

Andy, let's just drill down into that. This is going to be an idea that all political parties may actually welcome and then they will say, yeah, but we can't afford it, won't they?

Andy Westwood 24:35

Well, they might, they might. But I think if you understand the value of what we're trying to achieve here, I think it's worth them pausing before they do that. As Jean-Paul says, you know, his conception of peace is terrific, I think here because one of the things we think basic infrastructure can help do is rebuild democracy, where it's in crisis in different parts of the country and arguably in the country as a whole. But it's also about rebuilding bits of the economy that have suffered in huge ways over the past kind of 20 or 30 years and leave places and people ill-equipped to contribute, and to earn a decent standard of living. So it's about rebuilding more than just the particular challenges that particular places face. The approach isn't just about what government has to spend, it's about, as Diane says, it's about regulation, it's about getting the private sector to pay its fair share. And a lot of the services we look at are delivered and owned by the private sector. So really, I think the hardest thing for governments certainly in the UK to do with this isn't really about the investment, it's about the coordination. Working together between different departments and different agencies. But it's also about working together between central and local government. And getting that coordination right and understanding what it takes, including across things like regulation and procurement and all these sorts of things, is perhaps the bigger institutional challenge. And part of that will require creating and sustaining an effective local government, which hasn't been the case for 20, 30, 40 years. We've had a fairly weakly constituted and funded layer of local government. And what we see

is the real importance of local government in leading some of the services as well as the assessment of different elements of infrastructure that different places need. Perhaps the biggest challenge isn't how you finance this, the biggest challenge is how you actually coordinate government and deliver it. And it would be interesting to hear how different political parties kind of consider that challenge.

Rory Cellan-Jones 26:48

Jean-Paul, I'm gonna give you the last word to give us a sort of broader perspective outside the UK, and whether this is an idea whose time has come, both from the economic community and from the politicians, and whether you see it gathering force and actually being implemented.

Jean-Paul Azam 27:33

There was a time when the Bretton Woods system was bent on building infrastructure, and then it ran out of fashion. The key point to emphasise is, as has been emphasised by all of us now, you have to have a broad perspective, don't invest in things that will increase inequalities between groups and try to make sure that their infrastructure will force the government to have an inclusive politics and infrastructure. I mean, don't worry, the World Bank, the EU and all that have the money to help finance a lot of those investments if that raises issues. I think this report is helping a lot to clarify the concepts and I think this is what is really the most important thing to emphasise.

Rory Cellan-Jones 27:55

Jean-Paul, thank you. That's all we have time for on this episode. Thanks to Diane Coyle from the Bennett Institute, Jean-Paul Azam from the Institute for Advanced Study in Toulouse, and Andy Westwood from the University of Manchester. Let us know what you think of this latest episode of season three of Crossing Channels. You can contact us via Twitter, as I still insist on calling it. The Bennett Institute is [@BennettInst](#) - the Institute for Advanced Study is [@IAS Toulouse](#) and I am [@ruskin147](#). If you enjoyed this episode, then do listen to our other crossing channels editions, notably our latest one on the value of health tech. It's a cracker. And please join us next month for the next edition where we'll be looking at economic growth and climate change.