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# ‘Levelling up’ the UK: reinforcing the policy agenda

Ron Martin <sup>a</sup>, Andy Pike <sup>b</sup>, Peter Sunley <sup>c</sup>, Peter Tyler <sup>d</sup> and Ben Gardiner<sup>e</sup>

## ABSTRACT

In early 2022, the UK government published its White Paper on *Levelling Up the UK*, arguably the most important spatial policy document for more than 80 years. There is much that is innovative in the White Paper, but also some key limitations and weaknesses. At a time of economic and political upheaval in the UK, it is imperative that the levelling up agenda in the White Paper is not de-prioritized or submerged by other challenges, but is used as the foundation for a truly radical approach to reducing geographical economic inequalities across the country. Our focus in this article, therefore, is one of constructive criticism, to argue how some of the fundamental aspects of the White Paper need to be reinforced and emboldened if the policy is not to fail.

## ARTICLE HISTORY

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## 1. INTRODUCTION: ‘LEVELLING UP’ IN TURBULENT TIMES

Over the past decade or so, geographical inequalities in economic performance and prosperity across the UK have moved to the fore in national political discourse. The Global Financial Crisis and associated Great Recession of 2008–10 both highlighted and exacerbated the scale of the problem, and provoked the Coalition Government in 2010 to proclaim the need to ‘rebalance the economy’, structurally and spatially. Barely a decade later, in 2019, the new Conservative government, responding in large part to its electoral capture of several traditionally Labour-voting and Brexit-supporting, economically lagging, constituencies (the so-called ‘Red Wall’ seats) in the Midlands and North of England, declared the ‘levelling up’ of such areas as one of the government’s defining missions.

As part of this commitment, a Levelling Up Fund was established, and one of the government’s departments of state was renamed as the Department for Levelling Up, Housing and Communities, with its Secretary of State similarly renamed accordingly. This must be the first time a major department of state has been named after a political slogan. And in early

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2022, a much promised *Levelling Up the UK White Paper* (HM Government, 2022; hereafter *LUWP*), some 332 pages in length, was published (along with an associated Levelling Up and Regeneration Bill), setting out the government's aims and policies by which it aims to level up the country's left behind places.

There is much to welcome about the arrival of the *LUWP*. In historic terms, the policy agenda it promises is probably the most important UK spatial policy statement since the famous Barlow Commission Report (1940) of more than 80 years ago.<sup>1</sup> It is wide ranging in scope, in the variety of social and economic indicators used to identify 'left behind' places, in its diagnosis of longstanding problems, and quite radical in some of its policy proposals. The crucial question, however, is whether the policies in the *LUWP*, innovative though some of them are, will be sufficient to redress the scale and systemically entrenched nature of the inequalities in economic prosperity, performance and opportunity that exist across regional and urban Britain.

There have been numerous critical assessments of the *LUWP*, by think tanks, research institutes, local government bodies and academic observers alike (e.g., Arnold & Hickson, 2022; Connolly et al., 2021; Hudson, 2022; Newman et al., 2022; Shearer, 2022). It has also been widely argued that 'levelling up' has been left vague for the sake of political expediency (Leyshon, 2021; Tomaney & Pike, 2020). Our argument in this paper is that although representing a major step in the right direction, the policies set out in the *LUWP* will need to go much further and be reinforced if the task of 'levelling up' is to succeed and not merely remain a political soundbite: to use Mulgan's (2022) phrase, the *LUWP* should be seen as 'Version 1'.

This call for increased commitment and action is both all the more needed but also increasingly imperilled given the economic and political turmoil that has erupted in the UK since the *LUWP* was first announced. Three changes in prime minister and four chancellors of the exchequer in as many months, rising inflation, an energy cost crisis, a disastrous 'mini-budget' which sparked financial instability, stagnant growth, increasing financial hardship for millions of households, historic pressures on the nation's health service, the ongoing failure to resolve post-Brexit trading arrangements, and the urgency of decarbonizing the economy – all threaten to push 'levelling up' down the political agenda. There have already been signs that this has happened. Despite the government's declared aim to 'build back better' from the COVID pandemic, an objective in which 'levelling up' could play a vital role, the new emphasis on reducing public debt – some of which is directly due to the costs of governmental economic and social support during the pandemic – now heralds another major phase of fiscal austerity, possibly more exacting than that introduced following the Financial Crisis of 2007–08.<sup>2</sup> The danger is that the 'levelling up' agenda could become one of the casualties of a new wave of fiscal consolidation.

Yet, if the 'levelling up programme' is diluted, not only will geographical inequalities intensify yet further, an historically critical opportunity to harness and develop the potential of every area of the UK in the task of responding to and resolving these multiple challenges and problems will have been lost. 'Levelling up' is not some expendable 'luxury' policy, but will be key to moving to a more stable, sustainable and inclusive growth trajectory. The more crucial, therefore, that 'levelling up' is itself a coherent and meaningful strategy. Our argument here is that in its present form it has some serious weaknesses, and that some fundamental revisions and improvements to the existing strategy are required. The aim is not to present a detailed explanation of the UK's geographical economic and social inequalities – the problem of 'left behind places' – that 'levelling up' is meant to address: such an analysis can be found, for example, in Martin et al. (2021). Rather, the purpose is one of constructive criticism, to help make the case for substantially strengthening what is a vitally needed policy, even amidst the current phase of economic and political turmoil. It is intended, in other words, to provoke debate and discussion on what we believe are some of the key assumptions and presumptions underpinning the *LUWP*, and on whether it at last promises the level of resources and de-centring

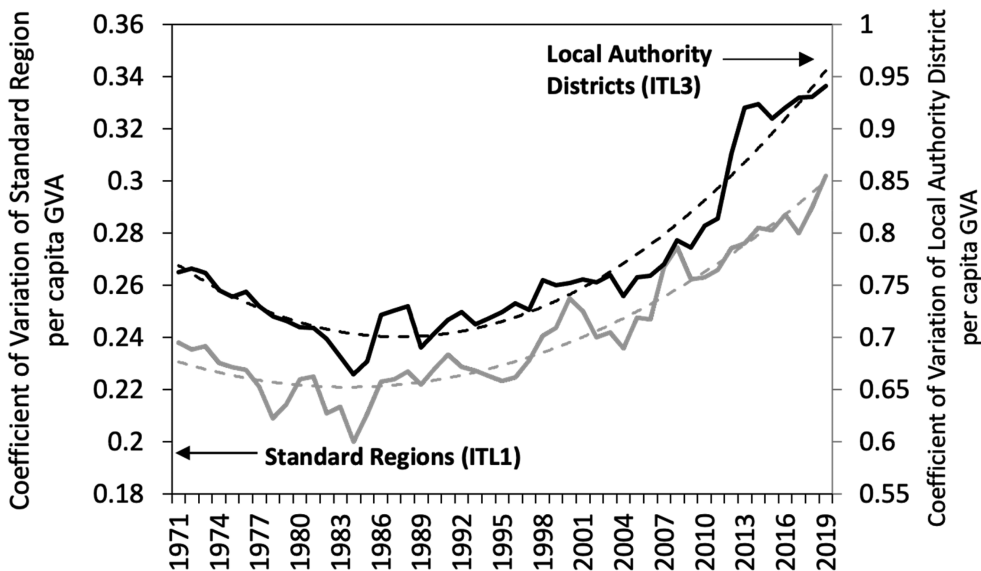
of the economy that the scale and nature of the problem requires. It is useful, first, to briefly highlight the scale of that problem.

## 2. THE SCALE OF THE UK'S 'LEVELLING UP' CHALLENGE

It is difficult to exaggerate the scale of the geographical economic and social inequalities that exist across the UK. While regional inequalities in economic prosperity and performance have existed for at least the past 150 years (Crafts, 2005; Geary & Stark, 2015, 2016; Martin et al., 2021), over the past half century they have increased markedly, both at a broad spatial scale and at the local level (Martin et al., 2021) (Figure 1). According to the Organisation for Economic Co-operation and Development (OECD) (2020a), at the level of local TL3 areas, regional economic inequalities in the UK are among the very worst across OECD countries, with only Columbia, Turkey and Hungary having more pronounced disparities (Figure 2). Always leading in terms of economic prosperity, London has pulled ahead substantially over the past four decades, becoming almost a 'city-region apart', with a per capita gross value added (GVA) some 80% higher than the UK average, and two-and-a-half times that in the North East, the region with the lowest GVA per capita (Table 1). And this despite nearly a century of spatial policies aimed at reducing such inequalities.<sup>3</sup> A key implication is that if it is to succeed, the *LUWP* will need to avoid the mistakes and limitations of previous spatial policy interventions.

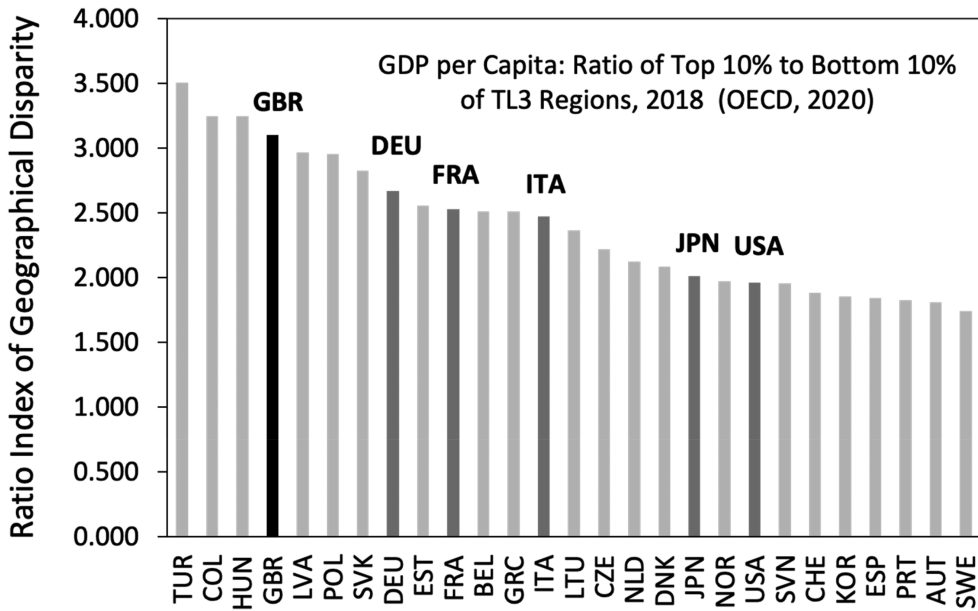
In fact, the *LUWP* pulls no punches in highlighting the limitations of previous spatial economic policy initiatives:

There has been no shortage of attempts to tackle geographical disparities in the UK over the past century. These have been insufficient to close the widening gaps. That is because these efforts have tended to



**Figure 1.** Growth in geographical inequality in the UK: coefficient of variation of per capita gross value added (GVA) (2016 prices) for standard regions and local authority districts.

Sources: Data are from Cambridge Econometrics and the Office for National Statistics (ONS). Data are for the 12 ITL1 standard regions and 370 ITL3 local authority districts.



**Figure 2.** Ratio of the top 20% richest regions to the bottom 20% poorest regions (per capita gross domestic product – GDP), TL3 regions, 2018 (For the UK the OECD’s TL3 regions are equivalent to the ITL3 areas introduced by the UK’s Office for National Statistics in 2021).

Source: Data are from OECD (2020a).

be short term, lacked scale and coordination, and were hamstrung by lack of data and effective oversight. Local leaders have also lacked the powers and accountabilities to design and deliver effective policies for tackling local problems and supporting local people. (LUWP, 2022, executive summary, p. 16)

Levelling up also needs to shed the pernicious belief, found in both academic and policy circles, in a sort of ‘efficiency–equity trade off’, that the pursuit of greater spatial equity in economic

**Table 1.** How the UK’s regions have grown apart and London has surged ahead: gross value added (GVA) per capita, 1971–2020, ITL1 regions, UK = 100.

	1971	1981	1991	2001	2011	2020
London	153.3	163.7	165.6	167.9	175.0	180.8
South East	105.7	104.3	107.1	112.8	110.7	107.9
East of England	103.8	100.1	97.4	96.8	89.9	90.3
South West	90.9	94.1	92.0	91.9	90.2	87.4
East Midlands	80.7	85.0	84.7	85.1	82.3	79.8
West Midlands	96.4	89.8	90.0	86.7	81.8	81.4
Yorkshire and Humberside	80.7	85.5	84.7	82.9	81.6	79.1
North West	93.9	85.8	85.0	87.2	87.4	87.8
North East	75.3	79.2	75.8	72.9	71.7	70.5
Wales	78.5	78.2	75.3	73.5	73.3	72.7
Scotland	92.2	97.8	96.1	90.0	94.3	92.0
Northern Ireland	80.1	84.6	77.8	81.1	76.4	79.7

Note: GVA is workplace based.

Sources: Data for 1971–91 are from the UK Regional Data Base compiled by Cambridge Econometrics; and data for 2001–20 are from the Office for National Statistics (ONS).

conditions and outcomes is at the expense of national efficiency. International evidence challenges this claim: countries that have lower social and spatial inequality tend to have higher, not lower, national growth rates over the long run (Gardiner et al., 2011). Allied to this, regional (and urban) policies have rarely been integrated with macro-economic policymaking. Instead, there has been a plethora of spatial policies at various spatial scales, often uncoordinated and with a high rate of churn: there were more than 50 separate regional and urban policy initiatives over the period 1978–2018, of varying duration and at varying spatial scales (National Audit Office (NAO), 2019).

What is clear is that geographical inequalities in economic prosperity and performance are an entrenched, systemic and institutionalized problem in the UK, a problem that decades of previous spatial policies have failed to resolve. Levelling up this highly uneven economic geography is thus an immense challenge, particularly at a time when the national economy itself is experiencing upheavals and disruptions of historic proportions. The *LUWP* policy agenda is but the latest in a long lineage of UK spatial economic policies intended to tackle the countries geographical inequalities. It at least acknowledges the failures and weaknesses of those past policies, and seeks to be more comprehensive and coherent. But, unfortunately, it still retains some fundamental limitations and weaknesses, which we highlight in the rest of this paper.

### 3. AN INCOMPLETE INTERPRETATION OF THE 'LEFT BEHIND PLACES' PROBLEM

An effective spatial policy needs to be based on an appropriate and comprehensive interpretation of the problem it is meant to remedy. The *LUWP* represents a radical departure in UK government thinking about the importance of the economy's spatial organization and structure. It breaks from the dubious orthodox view that high spatial inequality is a price worth paying for fast national economic growth, and instead emphasizes that the lost potential, wasted resources and slow growth of left behind places are a fundamental cause of the economy's productivity problem: 'If underperforming places were levelled up towards the UK average, unlocking their potential, this could boost aggregate UK GDP [gross domestic product] by tens of billions of pounds each year' (*LUWP*, 2022, p. xiv; see also Taylor et al., 2022). Moreover, it adopts a positive-sum rather than a zero-sum approach, as it is argued that this would not be at the expense of more prosperous areas, especially London: 'Success in levelling up is about growing the economic pie, everywhere and for everyone, not re-slicing it' (p. xiv). Finally, the analysis also challenges the unhelpful (and misleading) separation between people- and place-based causes of disadvantage, by emphasizing that 'Where people grow up has a lasting impact on their life chances' (p. 37). All these are fundamental to understanding the 'levelling up' challenge.

At the same time, however, the conception of the spatial economy put forward by the *LUWP* includes ambiguities and a lack of clear direction. The conception draws on New Economic Geography (NEG) theory and older views of agglomeration as a key tool of local development. Agglomeration is seen as yielding positive externalities and increasing returns to scale, the presence or absence of which lock places into, respectively, either virtuous processes or growth or vicious cycles of decline. Over recent decades, the agglomeration argument has become something of a sacred grail in the spatial economics and urban economics literatures, within think-tanks, and amongst central government policymakers. Agglomeration is typically invoked to explain London's economic success, while it is argued that second order cities in the UK (such as Birmingham, Manchester, Sheffield, Leeds, Liverpool and Newcastle) are underperforming, particularly in productivity, because they are 'too small'. They are deemed, as a result, to lack the external economies that agglomeration is claimed to confer (see also Centre for Cities, 2020).<sup>4</sup> The *LUWP* also notes the importance of clusters, especially those linked to

higher education research institutions, as drivers of skilled jobs, productivity and GDP. Those places 'steaming ahead' benefit, it is argued, from strong clustering, although it is acknowledged that there are also emergent clusters in other local areas across the UK.

However, there are some questions in this recognition of agglomeration. First, the *LUWP* says little about the implied lack of agglomeration in deprived and struggling places. Here it refers to 'reverse forces' that produce vicious cycles. But the relative importance of a weakness of agglomeration, and reduction of density by poor transport, compared with other constraints is not examined. Second, the analysis says little about the actual scale at which agglomeration becomes most productive. This is important because agglomeration effects operate at different scales (Agarwal et al., 2012) and it is unclear which are recommended. It may be that agglomeration needs to be based on significant concentrations of investments in infrastructure and research to generate sufficient scale to produce increasing returns and avoid rivalry (Overman & Xu, 2022), but the analysis offers no view on this. Third, the *LUWP* also acknowledges that too much agglomeration in 'steaming ahead' places has negative consequences for housing costs, public services, living standards and life satisfaction. Indeed, as one of the authors of the *LUWP*, Haldane (2022) has recently commented that:<sup>5</sup>

Market failure arises as a side-effect of having too much activity in some places, rather than too little. It arises in 'steaming ahead' places with high levels and growth rates of income and activity. In those places, the forces of agglomeration mean too many people are often chasing too few resources. That causes pressures on housing and transport, green spaces and the natural environment. It shows up in over-priced and over-congested housing and transport, over-polluted streets and, ultimately, lower levels of life satisfaction. (p. 7)

This ambivalence raises many questions about what types, forms and degrees of agglomeration levelling up policies should seek to deliver, and how policies should be designed accordingly. We would suggest that a stronger and reinforced programme needs a more discriminating and less ambiguous guide on agglomeration. This should explain when and where it is beneficial, at what scale it improves living standards, and how and at what point it becomes excessive and counter-productive. Given that the *LUWP*'s agglomeration ideas lack precision, it is not surprising that the policy programme only refers to innovation clusters.

A key part of the *LUWP*'s revised understanding of the role of place in the economy is its elaboration of traditional growth theory. It proposes an extended 'local capitals' framework, based on six types of 'capital' (human, financial, social, physical, intangible and institutional): 'The engine of regional growth is a six cylinder one' (*LUWP*, 2022, p. 58). This capitals approach is not new, however (e.g., Kitson et al., 2004), and has several related sources. First, similar types of classifications have been widely used in well-being and community development programmes that attempt to understand the full range of assets and resources that shape people's capabilities and happiness (Emery & Flora, 2006). For example, the Wellbeing Economy policy model used by the New Zealand and Australian governments (Dalziel et al., 2018, 2019) and the OECD's *How's Life* programme (OECD, 2020b) both incorporate six or seven types of capital, including cultural capital. Typically, these capital stocks are used to identify a series of target domains or indicators where progress in delivering well-being can be measured. Secondly, related to this thinking, various corporate ethical and social responsibility accounting frameworks also use varieties of 'capitals'. Third, the multiple capital view has been used in some institutionalist explanations of long-run growth and innovation (e.g., Haldane, 2015; Sachs, 2014).

In the *LUWP* the six capitals are used as a basic framework, and then linked to, and to some degree translated into, more specific domains of measurable targets (labelled 'missions'; see below) where it is claimed that progress can be monitored. The perspective provides a

comprehensive conceptual schema that links in many ways to endogenous growth theory ideas that reflect the increased importance of human capital, knowledge and skills, and captures most potential local contextual determinants of growth. In contrast, past documents on regional competitiveness and productivity differences were often distilled down to proximate ‘drivers’ without discussing their basis and development in the different types of ‘capital’ (HM Treasury, 2001; Kitson et al., 2004).

However, in terms of a policy guide, why these ‘capitals’ have come to vary between different localities (the processes involved), and exactly how they interact locally to produce growth and development, are key issues not well articulated in the *LUWP*. It is simply implied that agglomeration is the means for synchronizing and building all six capitals, so we are back to the issue of agglomeration again. Furthermore, in the *LUWP*’s schema the capitals are compartmentalized as causal factors, which may aid policy prescription – one policy to help foster this type of capital, another to foster that type of capital – but fails to address the interrelations between capitals, any balances or trade-offs between them at specific geographical scales, and the need for a holistic strategy to promote local economic development.<sup>6</sup>

Nevertheless, recognizing the embeddedness and contextuality of economic change, the ‘capitals’ framework at least provides the basis for an inclusive agenda in which public, private and third sector partners can be encouraged to contribute by constructing partnerships to build institutions, skills, networks and communities. The approach aligns with ‘more-than-economy’ critiques and the overdue realization that local pride in place, community belonging, and subjective well-being are as important as economic growth per se to the experience and feeling of being marginalized and left behind (Sandbu, 2020). But at the same time, this alignment is weakened by the *LUWP*’s dismissal of the need to include natural capital in its framework.

As other commentators have noted, the ‘six capitals’ framework prioritizes breadth and inclusion of a wide range of conditional factors over a clear focus on a more selective model. As a result, the degree to which the framework can act as a prescriptive guide to key policy steps is problematic (Shearer, 2022). The political attraction of the ‘six capitals’ framework is strongly evident, as it rules very little out, and allows for almost any activity and spending by any of the government’s numerous levelling up funds and agencies, and any devolved decisions to concentrate on particular policy priorities, to be justified as local ‘capital’ building. Instead of promoting an integrated local economic regeneration strategy, it can just as easily be used to support short-term immediate town centre improvements, or cultural and community development support, or longer term infrastructure spending and research investments. But it provides much less help in deciding which type of investments should be prioritized in a left behind locality, or how different types should be combined locally, in order to produce the best effects.

While certain capitals, such as physical, human and financial capital, may be relatively easy to measure, others, such as intangible, institutional and social capital, are much harder to calibrate empirically. As the Institute for Government (Shearer, 2022) has noted, these empirical issues are likely to prove significant challenges as attempts are made to monitor and evaluate whether policies prove successful in actually building up some of these capitals in local areas.

It is no coincidence that the ‘capitals’ approach closely resembles Haldane’s (2015) account of the causes of long-term growth. Haldane draws on the idea of endogenous multiple capitals (e.g., Sachs, 2014), and argues that industrial revolutions are caused by a conjunction of technological, psychological and sociological processes: ‘Growth results from the cumulative accretion of multiple sources of capital’ (Haldane, 2015, p. 8). In the contemporary era, Haldane argues, while technological progress is strong, growth can be held back by social and human capital and by short-term attitudes: ‘In sum, if history and empirical evidence is any guide, this cocktail of sociological factors, individually and in combination, could restrain growth. They could jeopardize the promise of the fourth industrial revolution’ (p. 19).



The *LUWP* transfers this socio-institutional analysis into its diagnosis of problems of locally uneven growth, and the policies to address them. However, while this 'technological progress but sociological obstruction' view is feasible, it remains a hypothesis and requires far more research and evaluation before it can be elevated into the basis for the core levelling up programme. Many left behind places do not suffer from any identifiable deficit in social capital (Shaw et al., 2022). The relative significance of some of the six capitals has yet to be properly empirically researched and validated, a particular case being social capital. Very little is currently known and agreed about how best to support the strengthening and improvement of human and sociological capitals, and the danger is this will simply allow many small quick-fixes and schemes that grab 'low-hanging fruit'. While the supply of funding for community ownership and social infrastructure schemes is welcome, such moves will need to be reinforced by and aligned with coordinated economic, transport and skills initiatives if lasting progress on levelling up is to be secured.

The *LUWP* rightly argues that it is the interaction of factors in complex systems that shapes economic trajectories. If this is to be a guide to policy action, however, then we need to know how these local systems operate and where and how policy can intervene to change their dynamics. The *LUWP* notes that a deficiency in one type of capital can often compromise an entire local economic system. More typically however, the capitals tend to show a cumulative reinforcing movement with turning points that depend on the capabilities of local firms and the skills of the local labour force, and whether and how far these adapt in response to competitive pressures, changes in markets, changes in technology and the like. A stronger theory would perhaps look in more detail at the key dynamic between firm dynamic capabilities and processes of human capital formation. Levelling up is bound to stumble while local skills ecosystems remain poorly resourced, fractured and uncoordinated.

Such a theory should also address what are two further fundamental limitations of the *LUWP*'s six capitals framework, namely that it is overwhelmingly supply side in orientation, and that it tends to treat local economies (be these cities, towns or local areas) as if they are isolated islands, rather than complex and partly open systems which form nodes in wider interconnected networks. While correcting local supply-side weaknesses is certainly necessary for reviving local economic performance and prosperity, it is unlikely of itself to be sufficient. Unless one believes in a sort of geographical Say's law, measures to stimulate the demand for the products and services of left behind places will also be required. For example, improving the local supply of skilled and well-educated workers will be to little avail if those workers simply migrate to more prosperous and economically dynamic areas of the country (London especially; Britton et al., 2021), where the demand for such workers is high. The demand for the products and services – and hence employment opportunities – of left behind places will depend not just on improving the competitiveness and quality of their local supply conditions, their six capitals, but on supportive macro-economic policies that foster demand, including the purchasing and procurement activities by government. Too often in the past, central government spending policies have failed to take the conditions and potentialities of left behind places explicitly into account, and have even worked against those places, in effect as 'counter-regional' policies.

Second and relatedly, there is very little in the *LUWP*'s six capitals interpretation of the left behind places problem that recognizes the combined nature of geographically uneven development, that the success of London and its hinterland has in large part been due to the long-run net flow of resources – especially labour and finance – from the regions into the capital. The fact is that the key levers of economic, financial and political powers are overwhelmingly concentrated in London, and that the geographical distribution of the six forms of capital emphasized in the *LUWP* is not simply endogenous to individual places, but shaped, indeed constrained, by this concentration of economic, financial and political power in London, and how this works to suck economic resources, including public capital spending into the London region. Some

argue, therefore, that levelling up will never succeed unless this undue concentration of power in London is significantly reduced (see below). As Collier (2018), who interestingly has been appointed to sit on the advisory panel to monitor progress on levelling up, has put it:

The mighty productivity of today's London grows out of advantages *to which the whole nation has historically contributed*. ... Yet today, the prosperity of London is tightly clasped in and around the metropolis: the rest of the country must feel as if it is living under not so much the 'yoke of capital' as the yoke of the Capital. It is time to cast it off. (emphasis added)

To be sure, the *LUWP* goes on to argue for more devolution of fiscal powers to city regions outside London – also see below – but there is simply insufficient analysis in the *LUWP* of the geographical distortions caused by the London-centric nature of the UK's fiscal system.

#### 4. TWELVE MISSIONS BUT WHERE IS THE VISION?

In terms of policy proposals, levelling up the UK's economic geography is to be achieved by means of no less than 12 'missions' that are organized under four objectives which connect to parts of the six 'capitals': boosting productivity, pay, jobs and living standards; spreading opportunities and improving public services; restoring a sense of community, local pride and belonging; and empowering local leaders and communities. There are some 30 policies under these headings, some of which are already in place and others which are under construction.

According to the *LUWP*:

Past approaches to levelling up have been held back by a lack of consistency and clarity over the objectives of spatial policy. They have failed to institutionalise a commitment to a long-term programme of policy change of the type necessary for success. ... A levelling up strategy should embed this long-term commitment. One effective way of doing this is to set medium term targets or missions. ... Missions provide a targeted, measurable and time-bound objective, or set of objectives, from which a programme of change can then be constructed or catalysed. (*LUWP*, 2022, p. 149)

We welcome a mission-orientated approach to levelling up (Martin et al., 2021, argue for such a perspective), since *in principle* it should signify a coherent, targeted and organized strategy to achieve a well-defined goal. The idea of a mission-focused approach to economic policy has received increasing advocacy and discussion in the last few years, especially in the work of Mazzucato (2021) (also Mazzucato & Dibb, 2019), who has promoted the idea of mission-led responses to 'wicked problems', or what she calls 'grand challenges', that is, difficult but critical systemic and society-wide problems with no one single solution. These include, for example, climate change, an ageing society, clean oceans, digital transformation, health security, to name but some. 'Levelling up' to achieve a more spatially equitable distribution of prosperity would also certainly qualify as a 'grand challenge'. Its achievement requires a series of missions involving policies that lead to transformative change to reduce spatial socio-economic inequalities to some specified acceptable minimum. Reducing social and spatial inequality is especially difficult, or 'wicked', because it has complex causes, it intersects and overlaps with other 'wicked problems', and because it challenges entrenched and institutionalized processes and structures that reproduce and defend the economic advantages and power of certain places (such as London) over other places. As the economist Richard Nelson put it (Nelson, 1977): 'how is it that we got a man [*sic*] to the moon but have not been able to solve key issues around inequality?' – and his question was posed more than four decades ago, since when problems of social and regional inequality have in fact worsened considerably.

According to Mazzucato and Dibb (2019), a mission-based policy should be characterized by three features: strategic orientation (direction, legitimacy), policy coordination (horizontal and vertical), and effective implementation (mix of interventions, appropriate funding and learning). There are reasons to doubt whether the mission-orientated *LUWP* satisfactorily meets these criteria. First, in terms of strategic orientation, each mission should be based on an inspirational aim that encourages private, voluntary and public sector groups to collaborate and innovate to resolve the problem and meet the target. Choosing the right goal is fundamental as missions depend on having legitimacy and something that all groups can 'buy into'. Only some of the proposed missions come close to this sense of direction. The adoption of a missions approach suggests that policy should not be top-down, but instead co-created by actors at different levels, so that the eventual mix of policy instruments and schemes emerges from a process of joint working and collaboration. There is an evident contradiction here, however as most of the proposed levelling up funds are to be implemented in a primarily top-down and conditional manner.

There is already more than a whiff of 'pork barrel' politics in the allocation of the Levelling Up Fund to local areas., with 'red meat' being offered to those local areas whose political support is vital to the government. Following on from the support for Brexit among the electorates of northern economically lagging areas in the 2016 Referendum, Johnson's successful political campaign in the 2019 General Election to 'get Brexit done' helped return Conservative majorities in many those same areas, most of which historically had been traditionally Labour-voting constituencies. Levelling up these so-called 'Red Wall' constituencies in Northern England and the Midlands is undoubtedly now critical to retain their political support. So while the *LUWP* is to some extent 'progressive', in that it would appear at last to recognize that economic life exists across the UK outside London, the political imperatives behind the policy cannot be ignored.

The underlying economic rationale for the geographical pattern of funding investments is thus hard to discern and rationalize (Fransham et al., 2022). Yet, without this we believe that levelling up and mainstream policies will almost inevitably remain weakly coordinated and integrated, with the strong possibility of contradictory outcomes arising from different policy decisions. Admittedly, the governance reforms proposed in the *LUWP* seek to make all central government departments more spatially sensitive and orientated to levelling up imperatives, but as the missions literature makes clear, cross agency and cross-sector working is vital, and will depend on having a shared legitimate vision and plan that agents can agree on and mobilize around. At present, there is no commitment in the *LUWP* to 'spatial planning' and it seems that the UK will continue to be out of line with the rest of Europe in this respect.

Nor is it clear how the policies under the 12 missions will be managed and coordinated. How will the programme ensure various funds and investments are implemented in the right places at the right times? This responsibility cannot be left entirely to devolved and local authorities when the policies and funds they will be able to control are very limited and their coordination with mainstream programme spending is beyond their control. The failure of the six capitals approach to provide a basis for identifying economic priorities around which policies could revolve is all too evident. The first mission on raising productivity, employment and living standards is clearly crucial to the levelling up agenda and many commentators have expressed disappointment that there are not more policies designed to meet this mission. As it stands the *LUWP* includes four main initiatives under this mission including: improving small firms' access to finance; attracting foreign direct investment through freeports, tax policies and public spending; supporting the adoption and diffusion of innovations in manufacturing and creative industries; and switching 40% of research and development (R&D) to regions away from the London–Cambridge–Oxford 'Golden Triangle'. While these are important, they are unlikely to make a major difference to the economic trajectories of left behind places and regions. It

is telling that there are only four pages in the *LUWP* on supporting advanced manufacturing industries, despite their continuing importance to the export base of many struggling ‘post-industrial’ cities and towns, and despite their centrality in a transition to a low carbon economy (Sunley et al., 2021). In this way the *LUWP* confirms the abandonment of any attempt to use an industrial strategy as part of its levelling up programme. As Flanagan (2022, p. 3) notes, ‘There’s a big hole in this White Paper where a developed long term industrial development strategy should be – one that meets the scale of the problem with appropriate and long-term commitments.’

This reluctance to design a foundational geographical and regional plan, in consultation with local authorities, is likely to prove a serious constraint on the levelling up programme. As we have argued (Martin et al., 2021), it is essential to ensure that policies with effects at different scales are aligned and reinforcing. Even the most effective local economic development schemes may prove ineffective if they are not implemented in conjunction with wider scale regional and national policies on transport infrastructure, industry investment, land-use planning and housing (Tomer et al., 2022). The *LUWP* does not appear to address the basis for such cross-scale intervention and governance. Perhaps this will be an imperative for the new Regional Directors proposed in the *LUWP*. Instead of a regional plan the *LUWP* relies on a range of rather eclectic commitments including plans to develop major University research clusters in three regions, create freeports in other regions, and a promise to make sure that every region includes a ‘globally competitive’ city (without really defining what this is). Whether the latter is more than rhetoric is difficult to say. It is claimed that there are emergent clusters and possibilities for investment in green technologies in all regions, but no substantive evidence is provided to support these claims and to act as a basis for investment decision-making. The overall impression is that the programme is disjointed in its geographies and is keeping all geographical options open.<sup>7</sup>

These various weaknesses and limitations all stem from the absence of a clear, bold and unambiguous vision or goal, from a lack of specifying what, precisely, is meant by a ‘levelled up’ spatial socio-economy. The various missions repeatedly state that by 2030 productivity, pay, education, skills, transport connectivity, etc, will have ‘improved everywhere’, ‘with the gap between the top performing and other areas closing’ (*LUWP*, 2022, pp. 120–121). Not only are most of the ‘improvements’ left unspecified, just how far the ‘gaps between the top performing and other areas’ are intended to narrow by 2030 is also left vague. Given that the geographical gaps across the UK in productivity, pay, education, skills, well-being, health and a host of other socio-economic inequalities are substantial, have been long in the making, having cumulated over several decades, and have become systemically entrenched in the very working and organization of the UK economy, the hope of narrowing such disparities by 2030, in less than a decade, is highly optimistic, to say the least, and hardly represents the ‘long term commitment’ referred to in the *LUWP* (see the quotation above). And how far should the socio-economic gaps between areas be narrowed in order to be able to declare that ‘levelling up’ has been accomplished?

It is unrealistic, of course, to assume that average per capita incomes, productivity and employment rates, and the like, can be fully equalized between regions or subregions across the country. Capitalism is too dynamic to be able ever to achieve that ideal state, and local economic specialisms, private sector investment, innovation, productivity, the impacts of international competition, and labour skills, for example, will always differ from area to area. But levelling up does imply that inequalities need to be reduced, and that means there has to be some concrete target to which they should be reduced, and against which progress can thus be measured: having clear, concrete targets is a key requirement of a mission-based approach to policy (Mazzucato, 2021). As an example, the target might be that average per capita incomes in the least prosperous regions (or localities) should be no less than 75% of those in the most prosperous regions. The present figure is substantially lower than this – average per capita

GVA in the North East is only 39% of that in London – and this indicates the sheer scale of the levelling up challenge. The growth rates of GVA in the poorer regions, such as the North East, Yorkshire and Humberside, Wales, and Northern Ireland, would have to *exceed* those of London and the South East for some considerable time if this gap is to be reduced to anything approaching, say, 75%.<sup>8</sup>

The very idea of raising per capita incomes across the UK's cities and regions nearer to those found in London has, all too predictably, provoked objections from London-based political, corporate and financial organizations and elites – that 'levelling up' the regions will risk 'levelling down' London (e.g., Adonis, 2021; Dreschler, 2020).<sup>9</sup> This same concern is evident in the *LUWP*. There has long been a view amongst the political, financial and economic elites of London that public spending in London produces a 'bigger bang for the buck' than spending elsewhere, and that by ensuring London's continued economic growth, such spending actually benefits the rest of the UK, via geographical spillovers, trickle down, trade and other supposed positive effects.<sup>10</sup> London-based lobby organizations, such the City of London Corporation, London First (now BusinessLDN) and TheCityUK, invariably emphasize such positive benefits of London for the rest of the UK's regions, but rarely consider whether there may also be significant negative effects.

The historical evidence suggests such positive effects – such as 'trickle down' – are in fact far from sufficient to 'pull up' left behind regions and cities towards London's prosperity (Table 1). It is certainly the case that of the regions, London runs the largest fiscal surplus of taxes over public spending, which it is argued helps fund public spending elsewhere across the UK, and the largest trade surplus (almost entirely due its finance industry). But there are other sides to the 'balance sheet' that are rarely mentioned. For example, London has for long sucked in the best educated and qualified talent from the other regions and cities (Swinney & Williams, 2016);<sup>11</sup> and it completely dominates the supply of equity finance to local small and medium-sized enterprises (SMEs) in UK, with more than two-thirds of equity deals, three times its share of national GVA, based in the city-region itself, reflecting the overwhelming concentration there of venture capital and private equity institutions (British Business Bank, 2021; Martin & Sunley, 2022). And even though London is by far the UK's most prosperous region, it has dominated (on a per capita basis) the allocation of several forms of public expenditure (Table

**Table 2.** Identifiable public expenditure by function, per capita, English regions, 2020/21, indexed England = 100.

	Economic affairs	Transport	Medical services	Education	Housing and community amenities
London	140.0	197.8	120.5	112.5	185.0
South East	99.1	105.2	90.0	95.6	80.2
East	99.4	90.9	89.3	98.4	84.4
South West	93.6	63.7	93.3	90.8	71.8
East Midlands	128.2	63.9	90.5	96.7	70.6
West Midlands	89.7	80.9	98.8	103.1	94.0
Yorkshire and Humberside	86.5	66.9	96.4	99.7	91.6
North West	91.8	83.3	108.7	97.6	80.8
North East	83.6	72.7	108.5	101.1	109.5
England	100.0	100.0	100.0	100.0	100.0

Source: UK government public spending by country and region (<https://www.gov.uk/government/statistics/country-and-regional-analysis-2021>).

2): indeed, its success can be argued to be in part *because* of this disproportionate share. The simple fact is that the London economy is hugely underwritten by the state, and this bias towards London in public spending has rightly been a recurrent source of complaint by northern regions of the country.

Further, recent research using estimates of input–output linkages between the UK regions suggests that over 70% of London’s intermediate output remains in the London city-region itself, and that exports of such output to other major city regions across the UK is very small (Greater London Authority (GLA), 2020). And of critical importance, for too long national economic policy has been driven by the interests of the financial City of London, and the national financialized growth model the latter has championed and dominates, and from which it derives the most benefit. From the massive deregulation of finance in 1979 and 1986 (‘Big Bang’), to the privatization of public utilities in the 1980s and 1990s, to the Private Finance Initiative of the 1990s and the 2000s, London’s finance sector has benefited enormously from the state’s neoliberalization of the UK economy (Shaxson, 2018). Little seems to have been learned from the Financial Crisis of 2007–08, despite the call by the political leaders at that time for a different national growth regime less focused on finance and London.<sup>12</sup> There is in fact a pressing need for research on the scale and nature of the less-than-positive impacts of London on the regions, especially of London’s domination of finance and financial power (Eagleton-Pierce, 2022; Gordon, 2016; Henderson & Ho, 2014; Martin & Sunley, 2022; Massey, 2013; Shaxson, 2018).

This, then, is arguably the major shortcoming of the *LUWP*: a lack of a bold vision (and definition) of a different sort of economy, a de-centred economy less dependent on finance and on London, one built explicitly on a more equitable geography. The 12 missions have the appearance of a list of separate policies rather than a coherent, purposive plan orientated towards a clearly stated vision of the sort of UK geographical socio-economy the government wants to construct.<sup>13</sup> How does the UK government’s ‘levelling up agenda’ align with its other key policy credos of ‘building back better’ from the COVID crisis, or a post-Brexit ‘global Britain’ or a ‘net zero carbon economy’. As the *LUWP* correctly states, the transition to a net zero carbon economy ‘could create huge opportunities for many of the UK’s left behind places’ (*LUWP*, 2022, p. 52), and that ‘the transition to increased automation if left unmanaged could negatively affect certain sectors and places’ (p. 56). These two ongoing transitions provide a major historic opportunity to set out a vision and a mission as to how they can be used *explicitly* to help achieve ‘levelling up’. Indeed, the very success of these transitions will itself depend on harnessing the economic potentialities of every region and city: ‘levelling up’ should actually be seen as way of securing these transitions, and in a spatially and socially just manner. Failure to do so will almost inevitably result in another phase of uneven geographical development that will intensify existing spatial socio-economic inequalities.

## 5. STILL INADEQUATE FUNDING IN RELATION TO THE TASK

Another key aspect of spatial policy, including the *LUWP* policy programme, is the level of resources devoted to it. Given the importance of this issue, it is surprising that there seems to have been no systematic official attempt to keep detailed records of expenditure on past urban and regional policies in the UK. Yet, information on expenditures is crucial for assessing the impact of such policies (e.g., Moore et al., 1986; Taylor & Wren, 1997; Wren, 2005). The type of policy initiative adopted by successive governments and, importantly, how it has been delivered, has varied considerably. In more recent years it has been very difficult to separate out urban and regional policy expenditures and the recent moves to providing funds on the basis of Growth Deals has further complicated matters.

Drawing on previous studies and our own estimates (Martin et al., 2021), we calculate that up until the early 1970s, regional (and urban) policy expenditure was relatively modest in the UK at around £0.5 billion per annum (this and all the estimates that follow are at 2020 prices). Expenditure increased slightly throughout the 1970s to around £2 billion per annum by the end of that decade. Throughout the 1980s expenditure on regional policy per se was around £2.3 billion per annum in the early part of that decade but then fell back. However, following the inner-city riots in the early 1980s there was an increase in urban policy and this amounted to around £3 billion per annum by the end of that decade. Over the 1980s, expenditure on urban and regional policy combined was around £4.6 billion per annum. In the early 1990s, expenditure on urban and regional policy hovered around £3 billion per annum, but then with the advent of the regional development agencies, increased to around £5 billion per annum by 2000. Through the decade of austerity from 2012, it then fell back sharply to around £1–2 billion per annum.

We estimate, then, that over the period 1961–2020, the UK government spent on average £2.9 billion per annum (at 2020 prices) in direct spatial policy, equivalent to around 0.15% of annual gross national income (GNI). European Union Structural and Cohesion Policy support added around £2.3 billion (or 0.12% GNI, 2020 prices) per annum to this from the late 1970s onwards.<sup>14</sup> These broad estimates suggest that annual total discretionary expenditure in the UK on regional and urban policy since the late 1970s has averaged around 0.27% of UK GNI. This is dwarfed by other spending programmes, for example, on defence (£38 billion or 1.8% of GNI in 2019), or international aid (£14.5 billion or 0.7% of GNI, also in 2019). The UK approach can be compared with the German *Aufbau Ost* programme to level up economic opportunities and prosperity in East German regions to those in West Germany following unification: since 1990 Germany has expended around €2 trillion on this programme. Excluding social welfare programmes (around 45% of the total), investment in infrastructure, support for business and financial equalization under the programme have been equivalent to around £30 billion per annum, that is approximately 10 times the UK's annual spend on regional policy aid.

Against this context, it is not straightforward to calculate the likely annual spend under the *LUWP*, since the monies mentioned include some existing programmes, others for which the time horizon is unclear, and also some major transport infrastructure spending that will benefit existing prosperous as well as left behind places. Overall, the main spatially targeted resources available through the Levelling-Up Fund (£4.8 billion), the Towns Fund (£3.6 billion) and Shared Prosperity Fund (£4.5 billion) do not seem to offer a significant improvement on the past. They are to run over three years (2022–25), which implies a spend of around £4.3 billion per annum, less than previous UK and EU regional policy aid combined.

Hypothecated spending on spatial policy is of course only one aspect of how public spending more generally – mainstream expenditure – can potentially be harnessed to level up left behind places. In the past, attempts to 'bend the spend' of mainstream government expenditure (which amounted to some £1.09 trillion in 2020–21) have been relatively weak. The *LUWP* promises to do better, but previous efforts, particularly, under the New Labour government, were disappointing. If things are to be different this time there will need to be a big push to get mainstream departments to 'spatialize' their thinking, their key functions and their spending. But that, again, requires that a clear overall vision exists of the sort of spatial economy being aimed at.

Under the *LUWP*, the funding position looks again to be characterized by a fragmented landscape with a variety of funding streams on offer each with their own conditions. This is one area where there is much that the government could learn from the experience of previous policy regimes and their evaluation. A clear example in this respect is the Single Regeneration Budget (SRB) operated by the UK government between 1994 and 2004. The thinking behind the SRB was that the regeneration problems of left behind areas are the outcomes of several economic, social and physical factors and if these were to be addressed it was necessary to

bring together the many different partners who had a stake in improving the general well-being of an area and its residents (Rhodes et al., 2007). The programme brought together 18 previously separate programmes that assisted local economic regeneration – hence, the emphasis on *single integrated* regeneration programme. The SRB sought to coordinate levelling-up funding *vertically* and *horizontally* across the tiers of government using newly created government offices for the regions (GORs) to administrate and oversee delivery. Rather perversely, the GORs were abolished by the Coalition government in 2010. Whatever the limitations of the SRB approach its major strength was at least to join-up mainstream spending across departments in the pursuit of local regeneration. There are some relevant lessons here for how the various funds that the government lists as available under its ‘levelling up’ policy programme could be better designed and integrated, as well as significantly increased.

## 6. INSUFFICIENT DEVOLUTION OF POWERS

In its largely subnational governance focus, the *LUWP* acknowledges most of the issues that have long bedevilled governance in England: limitations of engrained centralism and centralization and the capacity of parliament and Whitehall to govern England; the patchwork of differentiated powers and resources; difficulties identifying effective governance scales and coordinating policies; endemic institutional and policy churn and short-termism; and lack of transparency and accountability (Martin et al., 2021).

The *LUWP* situates devolution in its ambition for a new policy regime, seeking to empower local government decision-making as part of reforming spatial policy in the UK. The aim is to ‘widen, deepen and simplify devolution’ (*LUWP*, 2022, p. 135). Under Mission 12, every area in England that wants devolution will be afforded a deal with at or near the highest level of powers and simplified long-term funding. Given its focus on England, the *LUWP* raises less well-defined but nonetheless important issues about the Union and devolved governance settlements in Northern Ireland, Scotland and Wales. It has a deliberately national, UK-wide frame and encompasses excursions into already devolved policy areas such as freeports.

The policy for England comprises a new devolution framework to provide a clearer and more consistent roadmap of ‘devolution pathways’ for places, involving the decentralization of further decision-making powers to local leaders. This framework will guide future devolution deals based on principles of ‘effective leadership’, ‘sensible geography’, ‘flexibility’ and ‘appropriate accountability’ (*LUWP*, 2022, pp. 137–138). The preferred governance model comprises directly elected leadership, a functional economic geography covering populations of at least 500,000, and strong accountability. Some flexibility is envisaged through a tiered approach that will allow areas to further their devolution at their own pace. The framework constitutes three levels plus some flexibility for bespoke arrangements: mayoral combined authority (3), county deal (2) and grouping of local authorities governed through a joint committee (1).

It is acknowledged that there is ‘no consistent or reliable statistical means’ of capturing key elements of institutional capital, only proxies on expenditure and aggregated local and regional autonomy indices (*LUWP*, 2022, technical annex, p. 3). Using objective and subjective measures, Mission 12 will be measured on the proportion of the population resident in areas with the highest levels of devolution. This yardstick will be supplemented by survey measures of public involvement in decision-making and relative levels of decentralized expenditure. Despite these welcome claims and apparent commitment, the substance of the *LUWP*’s decentralized governance policy is mixed. It remains a work-in-progress with much to be tried and tested in practice. More devolution is on offer in England, but it remains limited and constrained by having to work with the existing patchwork of devolved powers and resources, and tainted by (the long-held) suspicion of central government about decentralizing meaningful powers and resources. The UK is one of the most fiscally and politically centralized of OECD



countries: historically, local governments have had to rely primarily on central government grants to allow them to deliver public services, and have had restricted manoeuvre for raising funds independently. Moreover, in recent years local governments have borne the brunt of the central government's fiscal austerity measures introduced in the wake of the Financial Crisis, and have seen their income from central government cut by 37% between 2009/10 and 2019/20 (Institute for Government, 2022). The burden of these cuts has fallen disproportionately on the more deprived and less economically buoyant localities (Gray & Barford, 2018). Reinforcing levelling up will thus require a stronger and more coherent approach to establishing more meaningful and substantive decentralization to support local economic development and governance across the country together with devolved governments and especially in England.

There is a welcome recognition of the limits of centralization but less clarity and evidence as to how decentralized governance will improve public policy and wider outcomes. The *LUWP* gives a qualified support for subsidiarity and local decision-making, and for increasing empowerment in places with limited local agency. The lack of appropriate 'information, incentives and institutions' is offered as the explanation of previously failed attempts to reduce geographical inequalities (*LUWP*, 2022, p. xvii), and hence the need for coherent and effective institutions with capacity and leadership of responsibilities across appropriate strategic geographies. The evidence provided is, however, somewhat circumstantial and without clear lines of causation between decentralized powers and resources and change. Devolution is not defined relative to other forms of decentralization (Pike et al., 2016). Rationales supporting the idea that devolution contributes positively to institutional capital and leadership are limited and patchy rather than systematic and empirically well supported. The logic chain is that centralization reduces local capacity and opportunities to build capability which leads to 'poorer local decision-making and public services' (*LUWP*, 2022, technical annex, p. 3). Based on local decision-makers' local knowledge and ability to coordinate, examples of initiatives in mayoralities are presented as evidence that devolution works and policies can be aligned with local needs. Yet, strengthening the rationale and evidence for devolution is crucial if the *LUWP* is to deliver on its 'whole of government' approach to decentralize the Whitehall departments with the largest budgets but weakest decentralization records.

Increasing the proportion of England's population (currently 41%) covered by the highest-level devolution – with London, Greater Manchester and the West Midlands accounting for around two-thirds of this proportion – is laudable. But it will require substantive further devolution in other mayoral combined authorities as well as a levelling up of governance through new high-level deals. In a framework that is intended to evolve, the highest level of devolution represents a moving target, especially when starting from such a highly centralized base and led by 'trailblazers' wanting to maintain their devolution differentials with other areas.

While reaching beyond larger urban areas and articulating a more transparent framework (Shearer, 2022), the powers on offer remain comparatively limited and siloed even in more devolved arrangements. They are centrally circumscribed, differentiated and skewed towards the level 3 mayoral combined authorities across service delivery, local business support, transport and other infrastructure including housing, investment, adult education, employment programmes, public health and safety, and funding and financing. Greater decentralization from the larger national government departments and more integrated budgets are missing. And while much is made of the plan to relocate 22,000 roles from central government departments and public bodies in London, to regions outside the capital, much will depend on the functions and responsibilities that are relocated,<sup>15</sup> and how much decision-making and policy autonomy these regional offices will actually have. And these staff relocations need to be put into context: since 2010 all the regions bar London and Wales have undergone large reductions in the civil service numbers. Indeed, while numbers have fallen by around 14% in the North East and 13% in the West Midlands, in London they increased by 18% (and by a mere 2% in Wales).

In any case, it seems that the national centre's orchestration and veto is to be retained as the devolution and decentralization pathways will remain subject to national minister discretion and specific conditions. The time-intensive ad-hocery of deals and deal-making is likely to continue (Pike et al., 2016). Negotiating ten new 'devo deals' from scratch is a huge short-term challenge nationally and locally (Shearer, 2022).

Despite limited evidence and lack of enthusiasm in the UK's devolved territories elsewhere in the UK, there is strong belief in combined authority metro mayoralities as the highest form of devolution and political leadership in England, making it a prerequisite for the strongest devolution of powers. Local actors must mobilize and fit their proposals into the national government's template, leaving contested local politics to play out in many especially two-tier areas. And, notwithstanding the introduction of a more coherent devolution framework, the approach in the *LUWP* looks set to add yet more pieces to the already complex, differentiated – and now acknowledged – 'patchwork' of governance in England (*LUWP*, 2022, p. 133). Asymmetry and complexity will continue, as the vanguard combined authorities enhance their existing powers and resources leaving the long tail of other places further behind. Competition between places for powers and resources from the centre is hard-wired into the system, especially given the myriad national funding initiatives local actors are compelled to bid for. Competitive bidding for funds and devolution deals is not only time consuming, but is all too likely to advantage those authorities and localities that already possess more developed capabilities and competencies. A further problem with the shape and nature of the devolved governance arrangements is that the funds for which the combined authorities and other localities will be required to continue to compete look to remain of a discretionary nature, which necessarily makes local strategic economic planning difficult. In sum, while a step in the right direction, the *LUWP* devolution proposals are still somewhat short of a nationwide federated territorial system of accountable bodies that would offer greater coordination, coherence, and integration for institutions and policies to address substantive contemporary challenges (Martin et al., 2021).

To compound matters, longstanding problems of limited resources remain amidst constraints from HM Treasury, especially with the new government's determination to cut public spending as a proportion of GDP. Mission 12 refers to long-term and simplified funding streams, rather than meaningfully increased and additional expenditure of the scale needed. This is curious and hugely limiting given the description of levelling up as a key national government aim and the historic scale of public expenditure focused on reducing geographical disparities being acknowledged as 'modest' (*LUWP*, 2022, p. 111; see also above). There is in fact limited detail on fiscal devolution. Key elements are multi-year funding settlements, local setting and retention of business rates, and infrastructure levies. Longstanding issues about limited scale, equalization, volatility and fiscal risk are acknowledged but remain unresolved.

Without additional resources it is questionable whether the *LUWP* can meaningfully reverse the reduction in capacity and capability amongst local governments that has occurred over the past decade of austerity and fiscal stress-devolving powers without resources is worse than no devolution at all: unfunded mandates raise and then frustrate expectations for all. There are serious questions about whether the resources being made available will match the *LUWP*'s rhetoric of empowering local decision-making.

The importance of local democratic accountability and legitimacy are rightly acknowledged in the *LUWP*, since without them thus far devolution has lacked oversight, weakened incentives to decentralize, and 'run into problems or out of steam' (*LUWP*, 2022, p. 113). Yet again the picture is mixed. A new national body, with a headquarters located outside London, will be given oversight alongside statutory responsibility on national government to report progress.<sup>16</sup> Ministers have hinted that emerging devolution proposals would emerge from the deliberations

of local leaders and not face public votes. But continued 'shadow centralism' of this kind further questions the extent of local public engagement in such devolution. It may again end up a further missed opportunity for strengthening democratic accountability and renewal, and rebuilding trust in politics and politicians.

## 7. CONCLUSIONS: LEVELLING UP MUST NOT BE ALLOWED TO FAIL

Less than a year after the publication of the *LUWP*, disillusionment with the lack of progress has set in among commentators and the public alike. A catalogue of political and economic crises since early 2022, have combined to all but eclipse governmental discussion of 'levelling up'. Virtually all the focus and debate has shifted onto the challenge of controlling inflation, stimulating national economic growth, reducing public spending and restoring financial stability. The levelling up agenda was under-resourced under the Johnson administration, and now seems under even more pressure under the Sunak's (Collier, 2022). The danger is that the commitment to deliver 'levelling up' could all too quickly join the bulging refuse bin of political slogans, failed policies and policy U-turns.

Yet, at what is a critical moment in the nature, direction and management of the UK economy, the levelling up agenda must not be allowed to atrophy politically, nor be stymied by the weight of HM Treasury concern over 'fiscal probity', nor thwarted by the grandstanding opposition of London-based economic, financial and political and corporate elites and interests. The recovery of the UK economy from the current conjuncture of crises and disruptions is not simply a macro-economic problem but needs to tackle the uneven geography of economic performance. And it will not, and cannot, be achieved by relying on London and its financial nexus alone. Every part of the UK can and should contribute to future inclusive, stable and sustainable economic growth. The scale of both social and spatial inequalities has arguably reached a point when the social and political coherence of the country is in question. Old, discredited ideas like the equity-efficiency (growth) trade-off that have hindered past commitments to regional policy, still lurk in background, and are not far below the surface in the *LUWP*. They have no place in levelling up.

After more than a century of marked and persistent spatial economic inequalities, and the historical tendency politically to treat those inequalities as some sort of 'epi-phenomenon', rather than a fundamental cause of lacklustre national macro-economic performance, the *LUWP* provides a long-overdue opportunity to embark on a bold and radical policy programme. It is a useful starting point for constructing a new, more equitable economic geography. But it needs to go much further in terms of better legitimization, more resourcing, a stronger vision of what levelling can achieve, bold leadership on spatial planning and economic priorities, more radical institutional reform, nationwide devolution and consolidation of local and regional economic capacities; all as basic steps towards what must be the ultimate policy objective, namely a decentred political economy in which all the UK's regions are treated as equally important.

## DISCLOSURE STATEMENT

No potential conflict of interest was reported by the authors.

## NOTES

<sup>1</sup> The Barlow Commission Report on the distribution of the industrial population set out the case and policy proposals for spatially rebalancing the economy away from London and its hinterland. That report helped inform the Distribution of Industry Act of 1945, which in turn framed much post-war British regional policy up to the beginning of the 1980s.

<sup>2</sup> At the time of writing, the commitment of the new Prime Minister Rishi Sunak to the ‘levelling up’ programme is far from clear, and was brought into question during the summer leadership campaign when he boasted to Conservative members that he had shifted public investment from deprived inner-city areas to Tory-controlled constituencies (*Financial Times*, 5 August 2022). One bright spot of the new Sunak administration is the reinstatement of Michael Gove, who as Secretary of State for Levelling Up had been the chief architect of the Levelling Up White Paper, and who had been sacked by Boris Johnson in the final days of his premiership.

<sup>3</sup> The UK has a long history of regional and urban policies, stretching back to the 1920s. The first official regional policy was the Industrial Transference Scheme of 1928, which was aimed at encouraging unemployed workers in the country’s depressed coalmining areas to move to the southern parts of the UK where there were greater employment opportunities, essentially a policy of ‘taking workers to the work’. The Special Areas Act of 1934 then designated essentially the same areas as eligible for capital incentives and low-rent factories – a policy of ‘taking work to the workers’. The formative Distribution of Industry Act of 1945 (itself influenced by the famous Barlow Commission of 1940), then established the spatial framework for regional policy for the next 40 years. The Levelling Up White Paper has in this sense a long pedigree. Significantly, some of today’s ‘left behind’ places that need to be ‘levelled up’ are the very same areas that first attracted attention back in the 1920s.

<sup>4</sup> One of the arguments invoked to support this view is based on the claim that these cities are smaller than would be expected under Zipf’s law, or the rank size rule, with London as the primary city at the top of the UK’s urban hierarchy. But as Paul Krugman has remarked, ‘Zipf’s law is not quite as neat in other countries as it is in the United States ... for example, France and the United Kingdom have a single “primate city” that is much larger than a line drawn through the distribution of other cities would lead you to expect. These primate cities are typically political capitals; it is easy to imagine that they are essentially different creatures from the rest of the urban sample’ (Krugman, 1996, p. 41). London, as the UK’s centre of political, economic and financial power, is indeed a ‘different creature’, and it is debateable whether Manchester, Birmingham, etc. are actually ‘too small’. This is not to deny the benefits of agglomeration, but it is to raise questions as to the spatial scale and size of city needed for such benefits to develop, and whether they simply increase linearly with city size, or that above a certain size negative diseconomies become progressively important.

<sup>5</sup> Andy Haldane, former Chief Economist at the Bank of England, was appointed Permanent Secretary to the Levelling Up Unit that was created inside the Cabinet Office in 2021. He played a key role in shaping the White Paper.

<sup>6</sup> The ‘capitals’ metaphor is itself not unproblematic. On the one hand, the metaphor is instructive in that it highlights how investment in soft factors, institutions, knowledge and social networks should be more highly valued as they have significant (if hard to measure) returns. On the other hand, the ‘capitals’ metaphor can all too easily lead to a supply-side, ‘Lego-bricks’ view of local economic development in which local differences between the processes involved in building institutions, communities, skills, intangibles and knowledge, finance, and the distinctive qualities of firms and local economic systems in gaining and keeping markets, are reduced to ‘quantities of capitals’.

<sup>7</sup> As this paper was being finished, the government announced it intended to establish 38 ‘investment zones’ as part of its ‘economic growth plan’. This adds yet another layer complexity to ‘levelling up’.

<sup>8</sup> Under the last Labour government (1997–2010), a stated aim of regional policy was the equalization of regional growth rates (of GVA). However, merely equalizing growth rates of per capita GVA would leave regional relative disparities unchanged, and would actually widen the absolute differences in per capita GVA between the regions. To narrow regional

relativities will require that growth rates in regions with low per capita GVA to be higher than those in regions with high per capita GVA, such as London and the South East.

<sup>9</sup> Paul Dreschler is Chair of London First (now called BusinessLDN), a prominent London-based lobby group for promoting London as 'the best city in the World to do business' (<https://www.businessldn.co.uk>). Lord Adonis is a British Labour Party politician and journalist who served in HM Government for five years in the Blair and then Brown ministries. He served as UK Secretary of State for Transport from 2009 to 2010, and as Chairman of the UK National Infrastructure Commission from 2015 to 2017.

<sup>10</sup> This argument was repeatedly made by Johnson when Mayor of London, even telling the civic leaders of Manchester, Leeds and Newcastle at the 2009 Conservative Party Conference that, 'if you want to stimulate [your cities] then you invest in London, because London is the motor not just of the south-east, not just of England, not just of Britain, but of the whole of the UK economy' (<https://www.theguardian.com/politics/2009/oct/06/michael-white-conservative-conference-diary>). He repeated this claim three years later, alleging that 'A pound [of Treasury money] spent in Croydon [a borough of London] is far more value to the country from a strict utilitarian calculus than a pound spent in Strathclyde. Indeed, you will generate jobs and growth in Strathclyde far more effectively if you invest in Hackney or Croydon or in other parts of London' (<https://www.theguardian.com/commentisfree/2012/apr/30/boris-spending-london-economic-woes>).

<sup>11</sup> Writing more than a century ago, the prominent geographer Halford Mackinder expressed the concern that, 'As long as you allow a great metropolis to drain most of the best young brains from the local communities ... so long must organisations centre unduly in the metropolis and become inevitably an organisation of nation-wide classes and interests' (Mackinder, 1919, pp. 131–132). Barely two decades later the milestone Barlow Commission on the Distribution of the Industrial Population made the same point: 'The contribution in one area of such a large proportion of the national population as is contained in Greater London, and the attraction to the Metropolis of the best industrial, financial, commercial and general ability represents a serious drain on the rest of the country' (Barlow Commission, 1940). More recently, according to Rowthorn (2010) the sustained flow of highly educated human capital from the regions to London and its surrounding hinterland over the past half century has been a key process driving combined and uneven regional development in the UK.

<sup>12</sup> As Prime Minister David Cameron put it, 'Our economy has become more and more unbalanced. ... Today our economy is heavily reliant on just a few industries and a few regions – particularly London and the South East. This really matters. An economy with such a narrow foundation for growth is fundamentally unstable and wasteful – because we are not making use of the talent out there in all parts of our United Kingdom' (Cameron, 2010). And likewise the Deputy Prime Minister Nick Clegg held to a similar view, 'For years our prosperity has been pinned on financial wizardry in London's Square Mile, with other sectors and other regions left behind. That imbalance left us hugely exposed when the banking crisis hit. ... It is time to correct that imbalance. We need to spread growth across the whole country and across all sectors' (Clegg, 2010).

<sup>13</sup> For this reason, Mulgan (2022) describes the idea of missions as an aerosol spray that is currently covering policies.

<sup>14</sup> The main source of evidence on expenditure relating to EU Structural Fund and Cohesion Policy is the work of Bachtler and Begg (2017). They suggest that EU regional policy may have contributed £66 billion (nominal) of funding over broadly the period since the late 1970s through to 2020, broadly equivalent to 0.1% of UK GNI (nominal). Although there is clearly much uncertainty, we have adopted a range of £57–66 billion and translated this into constant 2020 prices. A key problem is that we do not have estimates of how the funding was apportioned over the early part of the period 1975 to the late 1980s. On the basis of the data we have we

would suggest that the EU funding was in a range of 0.12–0.16%, but it is probably best to prefer the lower estimate until more data can be obtained.

<sup>15</sup> At present, some 67% of senior civil servants (the highest grade) are located in London; no other region has more than 5% (Institute for Local Government, 2022). Yet in 1954 only 40% of about 500,000 non-industrial civil servants in national departments were based in London and the surrounding Home Counties (MacKenzie & Grove, 1957).

<sup>16</sup> Interestingly there has been a call for a call for a similar body, an Economic Development Administration (EDA), in the USA, to oversee policies to promote local economic ‘levelling up’ there (see Lui et al., 2022).

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