

WINNER AND FINALISTS

# Bennett Prospect Prize for Public Policy 2018/19

**“What kinds of policies will  
enable left behind places to  
catch-up?”**

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Published: June 2019

Publication from the Bennett Institute for Public Policy, Cambridge  
[www.bennettinstitute.cam.ac.uk](http://www.bennettinstitute.cam.ac.uk)

# The Bennett Prospect Public Policy Prize 2019



The Bennett Institute for Public Policy and Prospect magazine are delighted to share with you the winning and runner-up essays for the Bennett Prospect Public Policy Prize 2019.

The £10,000 prize for early career policy analysts and professionals seeks to answer a critical public policy question.

In 2018/19 we asked:

**“What kinds of policies will enable left behind places to catch-up?”**

Many of the entries highlighted the disconnection between the booming economies of cities, which benefit from effects of new technologies and a highly skilled workforce, and those of left behind areas, which are increasingly experiencing a 'brain-drain' as skilled workers migrate away to more desirable locations. This creates a circular problem: as investment and people increasingly move to wealthier urban areas, others become poorer.

A number of the essays we received pin-pointed this seemingly intractable problem and advanced various ideas about how it might best be addressed, with many exploring case-studies from the UK and other parts of the world. This publication features the judges' selection of the best five of these submissions.

Our thanks to all the researchers and policy professionals who entered the competition this year - we look forward to reading more of your research in future.

Michael Kenny & Diane Coyle

## WINNER

# Moving the Knowledge Economy: Establishing a CRAFT House Network

Eric Lybeck (University of Manchester)

### Key recommendations:

- Establish network of 'CRAFT Houses' for early career professionals to live and work in 'left behind' places
- Local government support in form of donation of underutilised buildings, flexibility in zoning and deferral of council tax to provide re-location incentives
- Access to national and regional investment banks to finance cooperative ownership

### Between Global and Local

In 1882, the Old Town Edinburgh ward of St Giles was among the most unhygienic and impoverished parts of the city. St Giles was also the site of the University of Edinburgh, then celebrating its 300<sup>th</sup> anniversary, just over a century after the peak of the Scottish Enlightenment which had bestowed upon the nascent industrial revolution its moral warrant. How could these two conditions – poverty and progress – exist together in the same place? The University stood mere blocks away from the squalor of the slums accommodating populations 'left behind' by the rapidly developing industrial economy.

By 1890, the civic sociologist, Patrick Geddes, had a plan: inspired by social innovations in Whitechapel, Marylebone, Liverpool, Rochdale and his own experiments providing co-operative student accommodation, he purchased a derelict mansion next to Edinburgh castle. Architects and builders then added six new flats to what would be called 'Ramsay Gardens'.<sup>1</sup> Geddes gambled that he could attract enough of the middle classes from fashionable New Town to Old Town. This relocation would encourage integration of the knowledge emanating from the University, as academics, students, professionals and graduates socialised with the artisanal classes, working poor, servants and casual labourers, including children and women supporting families or working themselves.<sup>2</sup>

Geddes' innovative approach to civic renewal is best captured in his demand: 'Think Global, Act Local!' Indeed, his theory of the global and the local was no mere catchphrase. Geddes saw the city as a space that connected entire regions with populations around the world. The emergent intellectual atmosphere of cities and universities synthesised cultural, intellectual, economic and technological dynamics in ways that transcended, yet drew upon, the historical relations between town, country, village and city. Contemporary scholars of globalisation know only too well that, increasingly, global cities and their cosmopolitan residents connect with one another through

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<sup>1</sup> Helen Elizabeth Meller, *Patrick Geddes: Social Evolutionist and City Planner* (London; New York: Routledge, 1993).

<sup>2</sup> --- 'Lester Ward and Patrick Geddes in Early American and British Sociology', *History of the Human Sciences* 26, no. 2 (1 April 2013): 51–69.

networked interactions<sup>3</sup> – but, how often do our cities integrate with their wider regions and hinterlands?

## Overcoming the Divide

In the USA, political scientist Kathy Cramer<sup>4</sup> observed for years, citizens of rural Wisconsin were becoming resentful of know-it-all ‘elites’ in Madison and Milwaukee. Sociologist Arlie Hochschild<sup>5</sup> observed similar sentiments and grievances expressed by Louisianans in the lead up to the Trump election. We in Britain saw popular distrust in ‘experts’ marshalled by campaigners during the Brexit referendum, reflecting a cultural, economic, social and political bifurcation between those living and working in knowledge economy centres – cities, university towns, etc. – and those folk who increasingly feel ‘left behind’.

My research into the long-term growth of the modern university since 1800 explains why this bifurcation is occurring and why rates of educational qualifications, for example, are so highly correlated with voting ‘leave’ and ‘remain’.<sup>6</sup> I have founded a journal with University of California Press, *Civic Sociology* ([www.civicsociology.org](http://www.civicsociology.org)) that draws on Geddes’ example to solve problems locally and regionally by connecting the knowledge of academics with those populations that feel ‘left behind’: by acting locally to think globally. Indeed, we might draw from the Edinburgh example one particular solution to the question: ‘how do we enable left-behind places to catch-up?’ Simply put: *we move into those places*, thereby creating mixed, diverse communities no longer disconnected and isolated from the progress and innovation at the heart of the globalised knowledge-economy.

## The Idea: CRAFT Houses

At present, the incentives and organisational patterns characteristic of the fourth industrial revolution do not automatically encourage the migration patterns, networks of exchange and capital investment necessary to encourage growth in most non-metropolitan areas. This is why so many feel (and often are) ‘left behind’ economically, socially and culturally. The policy solution proposed here would support the establishment, development and extension of a reconstructed form of university settlement/residential college suited for a twenty-first century economy.

The proposed new form of association, or institution – called ‘CRAFT houses’ – would establish nodes in an integrated and coordinated regional network re-connecting towns and cities. The houses would be places of residence, generally in the countryside, market towns or deindustrialised suburbs. Residents would share common spaces and services, including kitchens and dining rooms, transport, nursery and laundry services, depending on members’ interests in saving time and money through collective consumption. In addition to the common spaces within the CRAFT houses, hubs would be established within cities, providing members with quiet and social spaces to read, work and even rest or sleep overnight when necessary.

Each house would ideally have members from a range of professions and occupations whose functions would be useful to the house, the network and the community at large. For example, a lawyer could help with contracts, while a tradesperson or builder could facilitate property improvements that would accrue to the entire group. While not exhaustive, the CRAFT acronym was co-developed in workshops that took place in Exeter, Devon earlier this year, involving civic

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<sup>3</sup> Saskia Sassen, *The Global City: New York, London, Tokyo* (Princeton University Press, 2001).

<sup>4</sup> Katherine J. Cramer, *The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker* (University of Chicago Press, 2016).

<sup>5</sup> Arlie Russell Hochschild, *Strangers in Their Own Land: Anger and Mourning on the American Right* (New Press, 2016).

<sup>6</sup> ---, *The Academization Process: The Emergence and Transformation of Higher Education since 1800* (London: Routledge, 2019).

sociologists, city council officials, architects, tech entrepreneurs, financiers, philanthropists, artists and more. The term stands for the range of professions, or 'vocations', we wanted to start with:

- C – Communications and Law
- R – Research and Teaching
- A – Art and Architecture
- F – Finance and Trade
- T – Tech and Sustainable Engineering

The ownership model of CRAFT houses would be cooperative, thereby ensuring that rents would be kept low in perpetuity. The mutual ownership model would further incentivise young professionals interested in accumulating capital while renting to co-locate with others in similar professions to otherwise less desirable locations (which would, in due course, become more desirable). There would be restrictions on how that capital could be spent, ensuring the value went back into the region: through purchasing family homes locally, for example, or investing in start-ups developed by CRAFT members.

### **Reconstructing Professions**

One appeal of cities is, in part, job-related insofar as early professional careers tend to require durable connections to the profession one seeks to enter. Accordingly, in addition to junior members living in the CRAFT house, a senior membership council consisting of leading figures in the professions noted above would serve as a coordinating board and community of advisors, thereby ensuring junior members retained access to a network of professional mentors active locally, regionally and globally. Thus, both the 'cooperative' and 'coordination' functions of a firm identified by Thompson<sup>7</sup> would be embedded in such a way as to minimise a need for 'management' in the traditional sense, paving the way for self-governing modes of cooperation, coordination and integration.

These new institutional practices would not only benefit the members of the CRAFT houses, but the community and region generally, as these provided linkages across the emerging network also coordinated according to sustainable principles of 'bottom-linked' rather than 'top-down' governance.<sup>8</sup> By providing space to live, work and innovate, the sites would provide hubs for university activities related to social 'impact' and for educational, research and employment activities related to, for example, the Industrial Strategy Challenge Fund. The project would encourage growth in both the knowledge economy and would provide jobs and infrastructure at the level of the 'foundational economy', which are essential to re-establish in these regions.<sup>9</sup> Lawyers and architects can get involved in redevelopment of community buildings; artists and playwrights would draw culture out from the city, while reconnecting with those populations with whom they have lost living relationships.

The functional diversity of members of the CRAFT houses would provide an innovation (and capital) dynamic that should translate into new start-ups, technologies, social enterprises and so on. Similarly, by engaging, living and working with local teachers in secondary, primary and adult education, the network would re-establish linkages between knowledge and society in regional

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<sup>7</sup> Spencer Thompson, 'Towards a Social Theory of the Firm: Worker Cooperatives Reconsidered', *Journal of Co-Operative Organization and Management* 3, no. 1 (2015): 3–13.

<sup>8</sup> Susan Baker and Abid Mehmood, 'Social Innovation and the Governance of Sustainable Places', *Local Environment* 20, no. 3 (2015): 321–34; Frank Moulaert, 'Social Innovation and Community Development: Concepts, Theories and Challenges', in *Can Neighbourhoods Save the City?* (Routledge, 2010), 20–32.

<sup>9</sup> The Foundational Economy Collective FEC, *Foundational Economy* (Manchester University Press, 2018).

schools where policy environments have been otherwise characterised by low-trust and disinvestment.<sup>10</sup> Experiments in sustainable lifestyle practices and technologies can be developed to encourage biodynamic relationships with nature, all the while members would remain fully 'plugged into' the knowledge economy.

### **(Mostly Local) Policy Support**

The CRAFT houses are the associational form, but to flourish and integrate across regions the network would require policy support, particularly from regional and local governments. The specific recommendations a supportive government might pursue would include:

- a) donation in part or full of buildings, possibly abandoned or underused spaces, including properties in both non-urban towns/villages and some space within central city locations that would function as 'hubs'
- b) flexibility in terms of zoning, including changing single-use permits to mixed-use residential/commercial/educational properties
- c) student loan repayments and/or deferral of council tax to incentivise graduates to relocate

Nationally, a government contribution could also involve purchase of buildings, ideally via direct grant, or through a National Investment Bank funding cooperatives and social enterprises. An historic (admittedly philanthropic, not government) example might be recalled in the Carnegie Corporation's funding of public libraries in the late nineteenth century, in which Andrew Carnegie offered to build libraries if local communities were willing to fill them with books and staff.<sup>11</sup> Similarly, if governments purchased buildings in 'left behind' regions, the CRAFT house network and local communities could determine creative ways of putting these to good use.

Further policy support could be determined on a case-by-case basis depending on local circumstances and need. Each CRAFT house would be 'co-developed' with local governments, key stakeholders and experts within and beyond the emerging network. Indeed, this is precisely the approach civic sociology recommends: retaining awareness of the particularities of place, history and people, while encouraging civic participation and self-organisation.

### **Which Left-Behind Places?**

In recent policy discussions of 'left-behind' regions, equivalences are made between, for example, non-metropolitan regions and multi-ethnic urban neighbourhoods, each of which are characterised as exhibiting similar issues relating to socioeconomic class, cultural activities and low 'civic participation'.<sup>12</sup> Not only in Britain, but around the world, there are, indeed, commonalities between these patterns of neglect or 'losing out' on the progress made in a globalised knowledge economy.<sup>13</sup>

However, as the Brexit vote revealed, we can see a clear differentiation between regions that supported the campaign to leave the European Union and those regions that voted to remain, which

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<sup>10</sup> Helen Gunter, *The Politics of Public Education: Reform Ideas and Issues* (Policy Press, 2018).

<sup>11</sup> Ellen Condliffe Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* (University of Chicago Press, 1992).

<sup>12</sup> e.g. House of Lords Select Committee on Citizenship and Civic Engagement, 'The Ties That Bind: Citizenship and Civic Engagement in the 21st Century', Report of Session 2017-19 (London: House of Lords, 2018).

<sup>13</sup> Elisabeth S. Clemens, 'Distrust in Distant Powers: Misalignments of Political and Social Geography in American Democracy', *Items*, 8 August 2017.

included many of the multi-ethnic neighbourhoods in greater London, for example.<sup>14</sup> Thus, hereafter and above, we are discussing solutions for the non-metropolitan ‘left behind’ regions which have particular characteristics: their populations are older, whiter, less educated (in terms of proportion with level-4 qualifications and above) and they subsist on lower incomes.

My analysis of these multiple dimensions of deprivation suggests these patterns are not accidental if we consider them in terms of the long-term history of the emergence of modern higher education since the nineteenth century.<sup>15</sup> First, we can note that internal migration patterns indicate students and young professionals move around more than others.<sup>16</sup> As these cohorts of young people enrolled in higher education reach 50 per cent target levels after 1997, we see net migration out of less urban regions resulting in the overall demographic profile of these places as being ‘older’ relative to the cities and university towns to which they have moved. (This is in addition to the younger profile of external migrants into similar urban spaces).<sup>17</sup> Further, since those older generations were not expected to attend higher education unless they were amongst the 15 per cent who then entered professional occupations, these older populations will also have lower rates of level 4 qualifications. Lastly, since university graduates remain mobile, chasing graduate-level employment where this work is done, this additional internal migration occurs within and around global cities, university towns and other areas connected to the knowledge economy.

Thus the four characteristics noted – age, race, education, income – are related to one another on a regional basis, not an individual basis. It is, then, unfortunate that much of the discourse around these issues assumes or implies ‘white working class’ people are ‘stupid’ and thus voted to leave the European Union in 2016. Rather, as studies have long showed, folks that remain in these regions have less identification with Europe, as many will have few economic or cultural interactions with the globalised, knowledge economy when compared with those members of the educated and professional classes living in more dynamic, multi-ethnic urban spaces.<sup>18</sup>

This regional bifurcation, which has developed over a long-term as the industrial economy shifted toward a post-industrial service and technology based economy, is what needs to be overcome through the policy and social-enterprise model proposed here. The CRAFT house network would effectively disrupt the internal migration patterns of young professionals, incentivising them to move to rural areas and market towns. The policy goals would not be dissimilar from those advocated in the 2000s in terms of the value added to cities by the ‘creative class’.<sup>19</sup> However, these policies have been hit-or-miss outside big, global metropolises, and have led to problems of gentrification, segregation and inequality as even the architects of these ideas now recognise.<sup>20</sup>

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<sup>14</sup> Sascha Becker, Thiemo Fetzer, and Dennis Novy, ‘Who Voted for Brexit? A Comprehensive District-Level Analysis’ (Centre for Competitive Advantage in the Global Economy, Department of Economics, University of Warwick, 2016); Matthew J. Goodwin and Oliver Heath, ‘The 2016 Referendum, Brexit and the Left Behind: An Aggregate-Level Analysis of the Result’, *The Political Quarterly* 87, no. 3 (1 July 2016): 323–32.; Paula Surridge, Siobhan McAndrew, and Neema Begum, ‘Social Capital and Belonging: The “citizens of Somewhere” Are More Likely to Be pro-EU’, Online resource, LSE Brexit, 13 November 2017, <http://blogs.lse.ac.uk/brexit/>.

<sup>15</sup> ---, *The Academization Process: The Emergence and Transformation of Higher Education since 1800*; --- ‘Reconstructing the Academic Profession’, *On Education*, no. 3 (2018); ---, ‘The Coming Crisis of Academic Authority’, in *From Crisis to Social Change: Towards Alternative Horizons*, ed. T Geelan, M Hernando, and P Walsh (Basingstoke: Palgrave, 2018).

<sup>16</sup> Nissa Finney and Ludi Simpson, ‘Internal Migration and Ethnic Groups: Evidence for Britain from the 2001 Census’, *Population, Space and Place* 14, no. 2 (1 March 2008): 63–83; Ruth Lupton, ‘Moving to a Better Place? Residential Mobility among Families with Young Children in the Millennium Cohort Study’, *Population, Space and Place*, 2017.

<sup>17</sup> Mike Savage et al., ‘A New Model of Social Class? Findings from the BBC’s Great British Class Survey Experiment’, *Sociology* 47, no. 2 (1 April 2013): 219–50.

<sup>18</sup> Matthew Gabel and Harvey D. Palmer, ‘Understanding Variation in Public Support for European Integration’, *European Journal of Political Research* 27, no. 1 (1 January 1995): 3–19; Armen Hakhverdian et al., ‘Euroscepticism and Education: A Longitudinal Study of 12 EU Member States, 1973–2010’, *European Union Politics* 14, no. 4 (12 June 2013): 522–41.

<sup>19</sup> Richard Florida, *Rise of the Creative Class* (Tandem Library, 2003).

<sup>20</sup> Richard Florida, *The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation, and Failing the Middle Class and What We Can Do About It* (Basic Books, 2018).

The difference between the proposed CRAFT house network and the more traditional urban policies introduced into cities in the 2000s is its intentionality; its linkages between professions and occupations; and the potential for viral expansion built into the associational form. These aspects were derived from analysis of the ‘linked ecologies’ between states, markets, universities and professions as articulated in Abbott’s work <sup>21</sup> that recognises any settlement or project connecting actors in these ecologies must serve the interests in each, though not necessarily for the same reasons. Similarly, we draw on theories of the ‘triple-helix’ and social systems theories <sup>22</sup> to integrate the university not simply as delivering an ‘innovation’ function, but also performing a regulatory and capitalising function in local and regional contexts that are disconnected from the knowledge economy. The CRAFT house, in a sense, provides a central hub performing several functions that are differentiated in cities, which would become synthesised, integrated and made accessible in the outlying regions. Finally, the agenda draws on Italian scholars whose advocacy of ‘socially generative action’ rather than innovation alone has been shown to encourage a more viral spread of social innovation, until it reaches its own kind of critical mass (Magatti, 2017).

## Conclusion

We thus return full circle to the work of Geddes in Edinburgh at the turn of the twentieth century. In the twenty-first century, we confront very similar circumstances: global economic growth and intellectual progress still does not benefit everyone. Geddes realised that the only way to truly connect with left-behind regions was to move himself, his students, his family, and his friends into them. He drew these practices into his brand of civic sociology, which we are reconstructing in Britain, the USA and around the world. For if we can solve these problems at a local level, under circumstances which are ultimately traceable to long-term trends in the global, knowledge economy, we might be able to translate our means to other regions, encouraging new, integrated forms of inclusive growth.

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<sup>21</sup> Andrew Abbott, ‘Linked Ecologies: States and Universities as Environments for Professions\*’, *Sociological Theory* 23, no. 3 (2005): 245–274; Andrew Abbott, *The System of Professions: Essay on the Division of Expert Labour* (Chicago: University of Chicago Press, 1988); Eric Lybeck, ‘Ajurisdiction’, *Theory and Society*, 2019.

<sup>22</sup> Henry Etzkowitz and Loet Leydesdorff, ‘The Endless Transition: A “Triple Helix” of University-Industry-Government Relations’, *Minerva* 36, no. 3 (FAL 1998): 203–8; Loet Leydesdorff, *The Knowledge-Based Economy: Modeled, Measured, Simulated* (Boca Raton, FL: Universal Publishers, 2006).

## FINALIST

# The case for a place-driven approach

Elena Bagnera (Centre for Public Impact)

For children born in 2000, where they live in the UK is a more powerful predictor of academic success than it was for those born in 1970 (Social Market Foundation, 2016). Similar findings in the US by Ray Chetty et.al (2018) show that children's outcomes in adulthood vary sharply across neighbourhoods of US cities that are just a mile or two apart. This shouldn't come as a surprise to policymakers, who are increasingly recognising the role of 'place' as a predictor of positive social outcomes. Successive governments in the UK and elsewhere have brought about changes to mitigate spatial inequalities, and yet the persistence of 'left behind' communities in the Western world is staggering.

In this essay, I argue that rather than specific kinds of policies we need a different *approach* to policymaking to enable the left behind places to catch up. I call this approach 'place-driven' and I contrast it with trends of centrally-run policies aimed at tackling inequality that are common across the western world. For the purposes of this essay, I focus my analysis on so-called 'regenerative' policies of the UK government - one of the most centralised government systems within OECD countries (Martin et al., 2015) - although lessons from this essay can be applied to other governments in the western world that display similar degrees of centralisation.<sup>23</sup>

The approach I describe has its foundation in the recognition that geographical inequality - like other types of inequalities - is a complex problem and success in tackling it will by necessity look different from one place to the other. To describe it, I tap into an example from the development literature, to draw out the characteristics of a place-driven approach to tackle spatial inequality. These revolve around the three pillars of knowledge, decision-making power and accountability, and while they may sound like a small shift of perspective, I believe they can make a profound difference to how governments conceptualise complex problems like geographical inequality and how they go about designing responses to them.

### Complexity as the starting point

The drivers underpinning geographical inequality are complex. Take Sarah, a teenager born in a low-income family in a remote peripheral area of Hartlepool. After her A-levels, she didn't explore any opportunities for further education or apprenticeships despite the possibility of applying for scholarships and apprenticeships schemes. She will likely be unemployed.

The classic barriers associated with geographical disadvantage could explain Sarah's situation: her school, the closest one to her house, is not good enough and does not have adequate career support; the transport links to the school are weak, meaning that the long commute takes time away from homework and other potential stimulating activities; or perhaps the slow broadband around where she lives prevents her from socialising and finding out about possible opportunities for her future.

While all of the above are plausible explanations, they may nevertheless fail to account for why Sarah finds herself in a position of significant disadvantage compared to her peers in other

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<sup>23</sup> The UK has one of the most centralised local government funding systems in the OECD, with diminished fiscal control and autonomy for local government.

neighbourhoods of Hartlepool or in London. Not only place-based causes of inequality are plentiful, but they are also deeply embedded with (and hard to disentangle from) factors that are more person-based, which could be rooted in Sarah's family history, level of income, ethnicity and so on.

In the face of complex situations like the above, successive British governments have launched national programmes to regenerate left-behind areas. These have taken various forms but some examples from the past three decades include in chronological order (Hall, 2015):

- **[1980s] Enterprise zones:** areas characterised by exemptions from selected taxes and planning regulations to stimulate localised growth;
- **[1998-2010] Regional Development Agencies (RDAs):** the establishment of nine non-departmental public bodies with a remit to narrow the gap between the economic performance of England's regions and promote sustainable development;
- **[1998-2011] New Deal for Communities (NDC) programme:** the set-up of local NDC partnership boards in 39 localities around Britain with a mandate to improve conditions of deprived neighbourhoods;
- **[2011-ongoing] Local Enterprise Partnerships (LEPs):** the set-up of business-led partnerships with local authorities with a view to promoting economic growth within their local area and surrounding countryside;
- **[Ongoing] targeted infrastructure investments:** to improve connectivity for poorer areas (e.g. Crossrail, Thames Gateway).

While not all of the above have proven a failure, their overall impact in reducing spatial inequality has been at best marginal. Market-led initiatives such as LEPs and enterprise zones have been criticised for neglecting rural communities and focusing on areas that were already thriving (Campaign to Protect Rural England, 2018). Change data from initiatives like the NDCs have failed to suggest positive improvements in target areas compared to other deprived localities outside of the programme (Lawless & Pearson, 2012). The findings were similar for RDAs, which have also been heavily criticised for producing an extra layer of unproductive and "wasteful bureaucracy" (TaxPayers'Alliance, 2008).

These different kinds of policies attempted by the UK government have a common feature; they are all managed by central government. While in most cases lower levels of government are responsible for the implementation, the programs are run by Whitehall departments, who set performance targets, approve financial allocations, hold local staff to account through compliance mechanisms, aggregate data to monitor cross-country performance and define operational and strategic constraints. For example, under New Labour NDCs operated within an "increasingly constraining institutional corset set by central government" (Lawless & Pearson, 2012, p.522) that consisted of performance management frameworks and tight regulation. Similarly, today LEPs are required to spend a significant part of their funds on predetermined schemes from the Department for Business Innovation & Skills Improvement (Healey & Newby, 2015).

The failure of past policies coupled with the deepening of the inequalities between local governments themselves caused by recent budget cuts (Gray & Barford, 2018) leaves us with a very bleak picture of the state of left behind places in the UK. This is why we need a different approach, one that starts from the complex needs of citizens like Sarah's and is *driven* by the very places who need catching up rather than being imposed on them.

## Community empowerment in Afghanistan

Community Development Councils in Afghanistan are an incredible success story of how left behind communities have taken charge of their own conditions and instigated a cycle of positive change. Bearing in mind the considerable differences between the UK and Afghanistan, this example is useful to draw out some of the key characteristics of a place-driven approach.

After the fall of the Taliban government, Afghan communities stood in great need of good governance and community-building. Rural villages, in particular, found themselves in a situation of extreme poverty due to the lower availability of most basic services (Centre for Public Impact, 2016). In 2002, the Afghan government in partnership with the World Bank launched the National Solidarity Programme (NSP) - a programme aimed at supporting the development of rural areas across the country. There was a key difference between this programme and others that had been tried before: rather than mandating development plans, it empowered villages to take control of decisions affecting their lives.

At the heart of the programme was the invitation to create 'Community Development Councils' (CDCs) in any rural villages of the country that counted more than 20 households. CDCs are local bodies formed of 12-30 locally elected people (half of which have to be women), who have a two-year mandate to identify, plan, manage, and monitor their community's development plan. At the start of their mandate, CDCs consult with members of the community to reach consensus on development priorities from a list of broad categories including transport, water, sanitation and literacy and they devise an implementation plan (Afghanistan Research and Evaluation Unit, 2008). Next, they apply for project block grants (budget is up to 60K US dollars per village normally delivered in instalments) and are from then responsible for managing the funds as well as all the other processes required for implementation including local procurement (ibid.).

While the Ministry of Rural Rehabilitation and Development (MRRD) has a role to play in approving block grants and setting of high-level criteria for the applications, most of the action and the evaluation happens at the village level. On the ground facilitating partners from national and international NGOs are available in each participating village to provide project management assistance as well as to deliver compulsory training for CDC members (MRRD, 2012). Independent project monitoring also finds its place locally. A team of four non-CDC community members are elected at the beginning of the process to serve as the community's monitoring team and are responsible for tracking the progress of the CDC activities, especially in relation to the appropriate use of the block grant and effective project implementation (ibid.).

CDCs in Afghanistan have been successful in raising long-term living conditions of those affected, for example by improving access to clean drinking water, to education and counselling services especially for women, and in general by improving villagers' perception of their well-being (Beath et.al, 2015). In 2016, there were CDCs in 85% of villages in Afghanistan and cumulatively over 89,600 projects were financed, of which more than 79,000 have been completed (International Development Association, 2016). According to Sher Shah Shahid, former director of NSP in Balkh Province, "*no other structure can be as effective as CDCs in identifying and prioritizing village-level problems. They know best how to implement projects so that its impact reaches the widest number of residents*" (ibid., p.9).

## A place-driven approach

Leaving behind the specific factors that made CDCs work in the Afghan context, I see this example as exemplifying three key characteristics of the policy approach I am proposing for countries like the UK attempting to tackle geographic inequalities.

Firstly, the communities' **knowledge and lived experience** drive policy. It is the knowledge of the villagers rather than that of the MRRD or facilitating partners that drives the development plans. As we have seen above, regeneration policies are often managed by entities that are too removed from the realities that they are trying to influence. This inevitably risks diluting the complexity of problems and favouring one-size-fits-all solutions that rarely prove successful. In the case of hard to reach places in particular, the knowledge rooted in the lived experience of their people can be particularly hard to capture and codify from 'the centre'. This is why a place-driven policy approach ought to revolve around the understanding of the problems, values, and relationships rooted in the places themselves.

Secondly, the **decision-making power** resides as close as possible to the first-hand knowledge and to where the action takes place. Because the Afghan villagers know better than anyone else the challenges and resources of their area, they have been empowered to make decisions that concern the regeneration of their places. While the appropriate level of decision-making may differ based on the problem at hand (e.g. structural factors such as automation-induced labour displacement may justify higher level decision-making), a place-driven approach minimises the layers of decision-making so that it is as close as possible to the lived experience.

Finally, the decision-makers are **accountable** first and foremost to those who are affected by their decisions. By emphasising the meeting of targets and compliance mechanisms set from above, centralised performance regimes can paradoxically result in less accountability to the recipients of the policies. Instead, CDCs are strongly accountable to their fellow villagers and the oversight - mostly from the local monitoring teams and the facilitating partners on the ground - enables CDC members to focus on their community mandate. Short accountability loops of this kind ensure more responsiveness to communities' unique needs and encourage modes of working that are more transparent and collaborative.

First-hand knowledge, decision-making power and accountability are closely linked to one another and when they are harnessed directly from the places that need attention, they set off virtuous cycles of change that can radically transform the conditions of all those involved. Together, the above characteristics form part of a place-driven approach that can enable the left-behind places to catch up.

## Implications for policymaking

This approach has profound implications for those involved in the design, implementation of policies for the peripheries around the world. I will mention three of them.

Firstly, the approach necessitates that central government bodies give up significant degree of control. Indeed, the fact that this does not happen enough in many local participation initiatives is the reason why so many of them fail. Nonetheless, higher levels of government still have a crucial role to play. Similarly to MRRD and CDC facilitating partners, their emphasis should be on systemic issues such as developing workforce skills, promoting common standards and providing the necessary resources (crucially including financial ones). Thus this approach requires a shift in higher

levels of government from control and top-down accountability to capacity-building and empowerment.

The second important implication of a place-driven approach is that regeneration policies will look different from one place to the other because not all communities' needs are the same. Depending on the challenge at hand, this could be true within the same region, county and even from one village to the next as in the Afghan example. The emphasis on local knowledge, decision-making and accountability implies that how success is defined and pursued in one place might look very different in others.

Finally, the diversity of policies favoured by this approach has implications for the role of evidence. Within a place-driven approach, the value of evidence lies less on national studies of 'what works' and more on promoting horizontal learning between places. Aggregate measures of economic growth from around the country can only get us as far to understand the root causes for geographic divergence. The decentralisation made possible by digital technologies provides a good opportunity to emphasise the collection and (crucially) the analysis of data at the local level, where the proximity to the lived experience can generate insights that wouldn't otherwise make it to the centre. In this way, the true value of information can be used to support the continuous improvement of left behind places, rather than being pushed outside of the system with distortive consequences.

## Conclusion

I have argued that rather than a kind of policy, what will best enable the left behind places to catch up is a policy approach that diverges from the dominant ways of thinking about regeneration in the UK and in other western countries. I called it 'place-driven' because it is characterised by an emphasis on local knowledge and by a rebalancing of decision-making power and accountability towards the places that need catching up. This approach has radical implications for where power sits within public systems, for the role of evidence and for the multiplicity of ways in which success can be pursued. I believe that thinking in a place-driven way can make a substantial difference to the lives of those who have been left behind.

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# Regionally Adjusted Domestic Product - A New Statistic for Seeing the Shape of the Economy

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By many measures, the UK is one of the richest countries ever to have existed. However, for many people, it may not feel much like that is the case. Whilst our GDP per capita puts us in the top-tier of rich countries, understanding the distribution of this is crucial. The UK experiences significant spatial inequalities, and many regions have missed out from the benefits of economic growth. Whilst London maintains its status as one of the most important centres of the global economy, many areas have been left to languish in its shadow. With much of the country experiencing standards of living more on a par with countries that are less well-off at the aggregate, Britain's self-conception as a 'rich nation' depends very much on where it looks.

Addressing the problems of regions that have experienced periods of decline and neglect requires us to refocus the very way we look at the national economy. When a statistic such as GDP per capita can paint an outwardly rosy picture, whilst masking a great deal of economic inequality, we need to ask whether it remains fit for purpose. The policy I set out here proposes a relatively simple transformation of this central economic statistic, that may provide a better picture of the 'national' character of economic growth. But before setting out in detail how this new regionally adjusted GDP statistic might work, it's necessary to explore what it means to describe a place as being 'left behind' and the processes that can cause it. Whilst this is not limited to any particular national context, the UK stands as a stark example and as such provides a valuable case study to frame the discussion.

So how do places become 'left behind'? The constant churn of technological change, the depletion of natural resources or the increasing scale of industrial production can all mean that places lose touch with the economic purpose they grew up to meet. But once a city or town has found its place and formed a history, it becomes difficult for that to be unwound. Left entirely to the market, a lack of economic opportunity can drive people away through poverty or even starvation, something that is rarely acceptable for a modern state. Instead, redistribution can keep these places ticking over, extending enough resources to meet the state's responsibilities to its citizens, but rarely enough to generate dynamic local economies. But this form of economic limbo is proving to be politically unacceptable. The 'left behind' regions provided significant support for recent democratic reversals to the established political-economic order. Votes for both Brexit and Trump represented a throw of the dice to break a cycle that had left too many regional economies in stasis.

Of course, redistribution as a form of economic life-support is not the whole story. There have been numerous policy efforts to restart regional economies and provide the framework for the people living there to realise their potential and make a greater contribution to the economic life of the nation. However, in the UK at least, such efforts have had limited success. An ideological commitment to the free market restricts too much direct fiscal intervention. Instead, supply side policies and institutional reforms have been favoured, but at the heart of this lies a contradiction. Relying on market-driven solutions to help areas that have ultimately been left behind *by the market* may always struggle to drastically reshape economic fortunes.

What might more directed regional policy look like in a modern economy? It needn't mean throwing back to a past of state-backed industries and direct productive investment. Investing in the

infrastructure, services and skills to improve the conditions for greater external investment can help to broaden economic possibilities. The state has always invested in such things, but the distribution of such investment is dictated by a logic that mirrors the underlying economic structure. The search for 'value-for-money' in public investment means that the direction of scarce fiscal resources is too frequently determined by the potential for the highest returns. As I will argue, for a country such as the UK, there are significant structural reasons as to why sticking too rigidly to this logic will continue to help thriving regions at the expense of those that need it most. It is only by changing the way we think about our economy and baking this in to the way the state makes its decisions about the distribution of resources that these policies will succeed.

Before setting out a new statistic which could do just that, it's important to demonstrate how the pursuit of growth at all costs leads to a specific economic geography. The emerging world economy is transforming the relationship between state and economy, and both policy makers and social scientists are struggling to get to grips with these changes. Whilst economy is not destiny, the UK has found itself pursuing an economic model that has left it particularly vulnerable to the forms of regional inequality described here. Breaking this path-dependency means reformulating how we measure and evaluate economic success. Without this the country risks doubling down on the policies that meant it reached this point in the first place.

There are two ways in which the opening up of the global economy has driven regional inequality in countries like the UK. The first is deindustrialisation, as the physical production of goods has been moved overseas in search of cheaper labour. As production has been moved overseas, the need for the management of firms to locate themselves alongside spatially extensive production facilities has diminished. The second is related, but distinct. Companies that offshored production, but retained control, were now freed from the shackles of their large production facilities. They no longer needed to be located close to expanses of cheap land and willing labour. Businesses that oversee and direct global value chains are now able to concentrate in well-connected global cities and take advantage of the profound network effects that come from clustering such activity.

The nature of global value chains is that most of the value is captured within technical, highly-skilled processes at their start and end. From initial research and development, to branding and sales, the generation of value through economic enterprise has come to follow a 'Smile Curve', with production itself attracting relatively meagre rewards. These roles predominantly involved high-waged, high-skilled labour and benefit enormously from the network effects that are possible from concentration in large cities. They support large numbers of tertiary business services and financial firms, which themselves replicate these dynamics of concentration. In the case of a large financial centre such as London, the banks and brokers that provide services for worldwide businesses and high net worth individuals are particularly adept at capturing value created across the world economy. The wealth that these businesses can capture from global economic processes is then recirculated around the local and national economy. These multiplier effects are not evenly spread – the secondary economic benefit of the City of London is much more obvious amongst the high-end retailers and booming property market of the capital than in the more diffuse forms of redistribution that flow outwards across the rest of the country<sup>24</sup>.

But despite its distributional implications, promoting the concentration of high-skilled labour in globally connected cities remains the primary strategy of governments around the world. The riches on offer from capturing these high value sectors of the supply chain outweigh the alternative of reshoring production processes as a whole. Meanwhile, encouraging businesses to move to less

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<sup>24</sup> Beyond multiplier effects and fiscal redistribution through the tax system, finance arguably has a negative impact through other mechanisms such as the exchange rate, an effect dubbed 'The Finance Curse'.

well-connected regions, without the critical mass necessary for positive network effects, risks forgoing significant productivity gains. As long as this remains the case, states face a choice between growing the overall size of the pie or seeing a smaller pie distributed more fairly. The consensus has overwhelmingly been for the former, albeit frequently accompanied by attempts to redistribute after the fact. But these attempts at redistribution merely keep people and places ticking over, extending enough resources to meet the state's responsibilities to its citizens, but failing to recreate a sense of economic purpose. In order to go beyond post-hoc redistribution and ensure a more equal distribution of value-generating economic activity in the first instance, it is necessary to turn away from a well-entrenched emphasis on maximising economic output.

Policy makers attempting to move away from this guiding principle of economic management face a problem. The imperative to secure growth and achieve 'value-for-money' has been incorporated in the very structures of bureaucratic decision making. This is expressed through institutional tools like the UK Treasury's 'Green Book', whereby all UK government departments are required to demonstrate that their implementation of policy is better for the bottom line than potential alternatives. Although capacity exists to take account of intangible measurements of value, these calculations are frequently limited to their economic dimensions, given the edge over more speculative concerns by the availability of easily quantifiable data. In turn, this biases policy towards interventions that support the cities and urban agglomerations best placed to extract value from the complex networks of the global economy.

Without a fundamental change to the central principles by which decisions about the economy are made, the state risks working against itself in its attempts to revive its left behind regions. This is no longer even necessarily a conscious choice of policymakers, but something weaved into the very fabric of the nation's decision-making toolkit. At the heart of this is the way that economic activity is frequently reduced to a single number, that does little to distinguish between the form or location of that activity. The flaws and faults of Gross Domestic Product have been well-explored, and it is not my intention to relitigate this here. For all its shortcomings, the GDP of a nation remains the single best indicator of the volume of taxable economic activity and will remain a central priority of government for the foreseeable future. My proposal will not drastically reformulate how we calculate the value but instead provide a simple modifier that can adjust any potential growth in economic activity with respect to its distribution.



The figure, which I am calling ‘regionally-adjusted domestic product’ (RADP), would be constructed through a relatively simple calculation. This would take top level aggregated economic figures used to calculate growth<sup>25</sup> and weight it by a GINI coefficient calculated from the gross value-added figures at the NUTS2 regional level. This provides a modifier based upon the specific geographical distribution of economic activity that can deflate any growth that occurs in one part of the country at the expense of another. Tracing this number over time in a UK context (fig. 1) shows how the last 15 years of growth have come at the expense of growing regional inequality, particularly around the financial crisis of 2007-08.

The number this calculation produces is dimensionless and not meaningful when viewed in isolation. It can’t replace the important role that GDP plays in enumerating the precise amount of taxable economic activity. However when it comes to evaluating policy choices, if the government has a genuine commitment to help reduce regional inequality, it could ensure that one hand of government is not working against the other. By using a new lens to guide decision making, different outcomes may emerge. A policy that grows the London economy, whilst doing little to help the rest of the country, might give the greatest absolute benefit to growth, but weighting it by its regional impact may transform the calculations sufficiently that an alternative would be considered.

To provide a practical example, one of the largest capital projects in the country’s history, High Speed 2, is currently travelling through the torturous bureaucratic process to becoming a reality. This project has been run through extensive cost-benefit analyses, leading to the conclusion that the best way to help regional economies in the UK is to better connect them to the capital. This may well be true, from the perspective of total output, but it may not help much with its distribution. Whilst some other metropolitan centres may benefit from increased connectivity to London, it fails

<sup>25</sup> In the data discussed in this section, I use Gross Value-Added figures taken from the ONS website, but GDP could also be used. The figure could be calculated either for the whole economy or on a per person basis, as appropriate

to move the country away from an economic model that sees London as the hub of value-generating activity. Areas that were left behind may continue to struggle to catch up with the rest of the country. How might the decision have been different if a focus on regional distribution had been captured in the heart of the numbers used for analysis. The same investment distributed across more localised regional transport programmes may have had a less sizable overall impact, but if its contribution in rebalancing the national economy was formally accounted for, then perhaps it would have stood a better chance of becoming a reality.

A number alone, without the will to use it, is of little use. This change won't revolutionise the practice of a government uninterested in tackling regional inequality. But any political effort to do that will face challenges from the structural position of the UK in the global economy and from entrenched institutional assumptions about the role of public policy. Whilst these both exist, any individual policy that aims to help the areas left behind will find itself fighting a tide of others doing the opposite. Ensuring that the state has the capacity to help left behind areas means fundamentally reformulating the way in which the state sees itself, providing a new lens able to focus on the spatial form of economic development.

The statistic I propose here sets out to do just that. It can challenge ingrained assumptions about what matters in the economy, how it should be managed and in whose interests. Providing a metric that encourages policy makers to focus not only on the total volume of value generating activity in a country, but also its distribution, breaks long-entrenched assumptions about growth first and redistribution later. By ensuring value generation itself is evenly spread, there exists greater opportunity to genuinely transform the experience of economic life for people living in left behind regions. This may mean accepting trade-offs about the total amount of economic value being generated which are frequently hard to rationalise in the context of the modern policy process. But by providing a simple and clear statistic that can present these choices in a different light, better decisions may be made.

## FINALIST

# Local missions: place-based, strategic finance supporting a peripheral UK

Connor Mckenzie (MillionPlus)

## Introduction

In this paper, it will be argued that in order to support 'left behind communities', a more nuanced geographical framework is needed as a foundation for developing more effective policies. This leads us to propose the concept of a 'peripheral UK', a map of socioeconomic disadvantage that enables us to prioritise areas that are 'left behind'. From this starting point, we can reexamine national funding streams to ensure that they are more geographically redistributive. Recurrent research funding to universities in England is given as one example of geographical imbalance that could be redesigned.

The paper then compares spending on European Regional Development & Structural Funds in regions of Wales and Scotland to offer insight as to how any future policies should be constructed that aim to support left behind communities. It will be argued that a strategic approach, both within and across different projects, is a key foundation of success.

Finally, it will be argued that by creating local missions for areas on a sub-national or even sub-regional level that are designed and directed by a range of local actors could help give more peripheral areas of the UK the drive and requisite level of innovation and growth to begin to catch up with the rest of the UK.

## What or who is left behind?

'Left behind' has become a ubiquitous term within mainstream political discourse since the referendum of 2016, to the extent that it now appears to have been manipulated to support contradicting political agendas. The term itself is nebulous and leaves much space for interpretation. In order to better understand what is meant by left behind communities, and how best to construct policy that best serves these people, we need a more nuanced sense of the term.

The French geographer Christophe Guilly has developed a compelling model through his analysis of French society to better understand the socioeconomic divisions that exist in his country. Part of Guilly's work focuses on the phenomenon of low earners being pushed out of urban centres to the outskirts or edge of cities to what are known as 'periurbain', or peri-urban areas due to economic pressure. The citizens of these spaces, alongside those who live in smaller towns and rural spaces of deprivation, constitute a 'France Péripherique' or Peripheral France, which emerges as a bloc in contrast to the affluent metropolitan centres.<sup>26</sup>

By transposing the fundamental principles of Guilly's framework on to the UK to create the concept of a 'Peripheral UK', we can begin to develop better policies to support left behind communities. It is self-evident that the physical geographies of the UK and France are not identical, and that the social and economic development of each is path-dependent (patterns of outward migration

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<sup>26</sup> Guilly, Christophe, *Fractures Françaises* (2010) Flammarion, France

observed by Guilly differ from the accounts of what is commonly referred to as gentrification in the UK, for example).

Nevertheless, there are strong parallels between the two countries: both are countries that have historically been highly centralised in terms of their economic and political structures; both have a history of uneven economic development inside the country; both are countries that have seen large-scale expressions of anger and disenchantment of which there is a geographical dimension. For these reasons, the basic tenants of this approach are ripe for application on to the context of the UK.

### **Left or kept behind?**

The term left behind is problematic insofar as it implies a certain level of passivity on the part of those making decisions at a national level. It therefore assumes an already existing economy that develops independently of the activities of the state with regards to investment and redistribution. In order to overcome this erroneous approach, it must be acknowledged that the UK economy has developed unevenly, and that it has been shaped by decisions made by those in power.

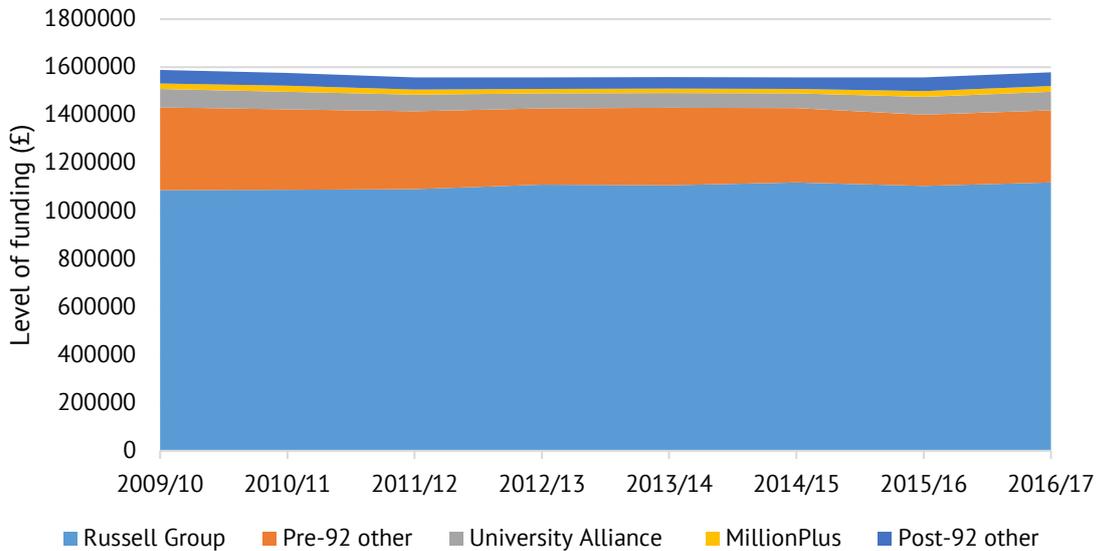
Others have made this point eloquently, pointing out that a lack of investment in certain regions of the UK constitutes regions being 'kept behind' rather 'left behind'.<sup>27</sup> There are a number of areas of infrastructure and public spending that illustrate this point well and warrant further investigation. Since higher education sits as one of the main themes of this paper, this idea can be explored here in relation to university funding.

Recurrent research funding, also commonly known as Quality-Related (QR) funding is allocated to universities on the basis of their performance in the Research Excellence Framework. As shown by Figure 1. below, the net effect of this is a high concentration (around two thirds) of funding at only twenty Russell Group institutions, the vast majority of whom are located in or around affluent metropolitan centres.

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<sup>27</sup> Raikes, Luke IPPR Future transport investment in the North: A briefing on the Government's new regional analysis of the National Infrastructure Pipeline <https://www.ippr.org/publications/future-transport-investment-in-the-north-briefing>  
Shaheen, Fazia & Kennedy, Liam City Metric (2018) <https://www.citymetric.com/business/these-towns-and-regions-are-not-left-behind-they-are-held-back-3801>

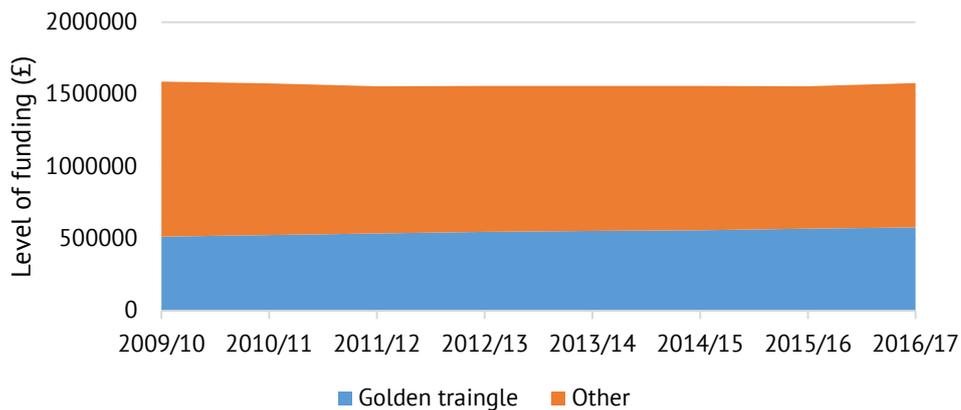
Figure 1. graph to show levels of recurrent research funding in England by mission group



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Furthermore, if the filter is changed those research-intensive institutions designated as part the 'golden triangle', meaning between London, Oxford and Cambridge, the data shows us that over a third of the total of this stream of funding is funneled into just six institutions, as shown by Figure 2. below.

Figure 2. graph to show level of recurrent research funding in England at "Golden triangle" institutions



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<sup>28</sup> Data taken from Higher Education Statistics Agency finance records, 2009/10 to 2016/17. Mission groups labeled independently. <https://www.hesa.ac.uk/data-and-analysis>

<sup>29</sup> Data taken from Higher Education Statistics Agency finance records, 2009/10 to 2016/17. Designated "golden triangle" institutions: University of Cambridge; University of Oxford; University College London and current affiliates; London School of Economics & Political Science; Kings College London; Imperial College London. <https://www.hesa.ac.uk/data-and-analysis>

## Shared Prosperity Fund: opportunity for change?

It is hoped that the much-anticipated Shared Prosperity Fund (SPF) will serve as a vehicle for supporting left behind communities. Little if any detail has been established on how this fund will be structured, administered or put into action by government. This is as much a failure on the part of policymakers to sketch out the outline of what the SPF could look like, as it is the result of the paralysing effects of the EU withdrawal negotiations. There is, therefore, a real danger that the SPF could not be suitably prepared for when it is needed, failing those whom Brexit alleged it would serve.

The experience of how European money has been spent in the UK in recent years provides valuable lessons for the construction of new funding streams with similar aims. Spending in Wales and in Scotland serve as two useful examples that demonstrate contrasting outcomes of investment in underdeveloped areas of the UK. Wales was set to receive more than four times as much in EU Structural Funds as the UK average in the period 2014-2020.<sup>30</sup> Investment has poured mainly into the south and west of the country, concentrated heavily in former centres of industry, but which now show extremely high levels of deprivation amongst citizens by European standards.

This paper identifies three principal reasons why European money that was spent in Wales failed to register impact with those deemed as left behind communities, both in terms of public perception and tangible effects. These shortcomings are being highlighted in order to serve as a guide for future policies that will be targeted at those left behind as to what should be avoided in future:

1. There was a marked lack of connection to, or understanding of, the EU and its institutions amongst those in left behind communities. The EU had long been a scapegoat within social networks, reinforcing a feeling of distance between citizens and its large, bureaucratic institutions. This sense of detachment bled into perspectives on projects that were funded by the EU. Because of this distance, there was a perception that such initiatives were a top-down exercise being administered 'to them' rather than with or by inhabitants.
2. In Wales, there was a sub-optimal allocation of funds. Due to the nature of the tender process by which regional development and structural funds were managed and approved, projects become somewhat atomised. This can lead to limited coordination across the different programmes in a region which does not enable towns or localities to develop a strategic vision or overall direction of travel. A distinction between supply and demand in economic terms is useful here to illustrate how some imbalances emerged through European spending. Investment in skills and training funded in part by European money was not always matched by a corresponding demand for employment in specific localities, since the demand for skilled labour varies quite considerably from region to region, and from town to town. This relates to the quality of the labour market and its geographical development.
3. There was a lack of awareness of the social and economic reality of the areas in which investment was being made. As funding was filtered through different bureaucratic procedures, it lost sight of its initial purpose. A considerable proportion of European money spent in Wales has been directed towards what can broadly be defined as heritage projects, which celebrate or promote the cultural history of the region. Such projects have an important social value, and offer local residents a way in which to identify with their

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<sup>30</sup> National Assembly for Wales Finance Committee, Preparing for replacing EU funding for Wales (2018) <http://www.assembly.wales/laid%20documents/cr-ld11748/cr-ld11748-e.pdf>

surroundings through the lens of the past. But they do not necessarily generate sustained, long-term, inclusive growth as other investment might. A lack of strategic oversight meant that there was not enough emphasis placed on investment-led growth. In order to understand the significance of this it is important to recognise that in post-industrial Britain, and in South Wales in particular, recent economic history has been one of gradual decline.

Regional development and structural funds in Scotland serve as a useful counterexample to Wales, and a model from which much can be borrowed. It is in the Highlands and Islands of Scotland, some of the most peripheral and remote areas of the UK, where European money has been spent most effectively and with some of the most impressive outcomes.

In the mid-1990s, the Scottish Highlands and Islands were awarded additional Objective One funding from the European Union due to lagging economic performance. The injection of money that was administered in the following years played a key role in the development of the University of Highlands & Islands, which gained university title in 2011, and was formed through the integration of a number of colleges found in some of the remotest parts of the UK.

The university now stands as a pillar of the regional economy of the highlands and islands and an important element of the modern social fabric of localities from Inverness to Orkney. The range of courses that are offered through this institution, some of which relate directly to regional culture and heritage, combine to create a unique local offer that reflects the needs and ambitions of local residents.

What makes this example different to other areas of the UK that received objective one funding from the EU? Those who were involved in the process have remarked that their ability to plan strategically in this area was critical to its success. By having some level of joined-up thinking across projects, synergising different programmes and initiatives with some long-term vision, actors were able to avoid the disjointed and atomistic feel that was the net effect of the tender process elsewhere. Success was also built on the strength of partnerships between different local actors, based on relationships that took years to develop.<sup>31</sup>

### **The role of universities in supporting ‘Peripheral UK’**

It is clear from the example of UHI that universities have huge potential to contribute towards a 21<sup>st</sup> century economy that is geographically inclusive. The UK is blessed to have such a diverse set of higher education institutions that run the length and breadth of the land. Indeed, Cornwall remains the only real cold spot for higher education in the United Kingdom.

This has created a wealth of infrastructure, knowledge, expertise and intellectual capacity that is spread right across the United Kingdom. It is essential that any vision of the future of the UK economy and society, that is inclusive of left behind communities, is one that looks demonstrably forwards. Universities are one of the most effective spaces for fostering innovation and collaboration between different local actors. In order to effect change and tackle regional inequalities, universities must therefore be fully instrumentalised in their capacity to support left behind communities or a peripheral UK

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<sup>31</sup> Linda Stewart, University of Highlands & Islands, <http://www.millionplus.ac.uk/news/blog/guest-blog-universities-brexit-and-european-structural-funds-what-next>

## Developing local missions: enabling strategic finance and patient capital in peripheral UK

Economists have demonstrated the importance of mission-orientated finance in fostering innovation and shaping markets to engender inclusive and productive economic activity.<sup>32</sup> In order to support those communities and areas which constitute a Peripheral UK, for reasons outlined above, we must ensure that patient capital is available to enable a level of strategic finance that can help such areas catch up with the affluent metropolitan centres.

It is also clear from this paper that such funding should not be administered in a top-down manner. So, instead of mission-orientated finance that is directed exclusively at national level, we need areas of the UK to be able to develop their own local missions. This cannot simply be done as a matter of devolution to city regions. As the recent State of the Nation report revealed, inequalities exist within regions as well as between them, and simply devolving such funding to city regions will mean that peri-urban areas are crowded out.<sup>33</sup>

In order to overcome this problem, local missions could be developed and directed by a network of actors or stakeholders (businesses, universities, civil servants, local authority representatives) while the overarching funding structures could still be administered at a national level. The most logical channel through which this could take place would be the Shared Prosperity Fund.

## Conclusions

The complexity and richness of 21<sup>st</sup> century life has given rise to paradoxes. People are told they live in a world where the distances between individuals are shrinking, due technological development and the growing global interdependence. But the reality for many people is quite different. Indeed, for many, the distance between them and their immediate world seems to have widened over recent years. It is rather a sense of place or community that is shrinking, with local services and decimated and a reduced sense of communality around them.

The first step to take for policymakers in this regard is acknowledge that many areas of the UK have been kept behind rather than left behind, as a result of political and economic decisions made by those in power. It is essential, therefore, that current funding streams are reexamined and some effort is made explore how these could be rebalanced to prioritise Peripheral UK. The example of recurrent research (QR) funding into universities was highlighted in this paper to illustrate one area where this could be realised. A cost-neutral way to achieve this would be to redistribute these funds in a more geographically equitable manner. Alternatively, extra funds could be made available for research, development and innovation that are targeted at those institutions that primarily serve Peripheral UK.

Looking at the examples how European money was spent in parts of Wales and Scotland, it is clear that policies must be developed at a local level and led by local actors in order to be successful. They must build on existing partnerships between business, universities and representatives of civil society where possible. Crucially there must be room for a strategic approach with joined-up thinking between projects that enables long-term vision or objectives for the area/locality. Too

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<sup>32</sup> Mazzucato, M. (2017) 'Mission-oriented Innovation Policy: Challenges and Opportunities', *UCL Institute for Innovation and Public Purpose Working Paper, (2017-1)* <https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/moip-challenges-and-opportunities-working-paper-2017-1.pdf>

<sup>33</sup> Social Mobility Commission, State of a Nation report 2017 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/662744/State\\_of\\_the\\_Nation\\_2017\\_-\\_Social\\_Mobility\\_in\\_Great\\_Britain.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/662744/State_of_the_Nation_2017_-_Social_Mobility_in_Great_Britain.pdf)

much of a fixation with the tender process of piecemeal funding initiatives risks becoming a barrier to this.

Citizens must be offered the opportunity to connect with their community and redefine their local area. It is vital that we recognise that, while celebrating the cultural heritage of a place is important, the material economic condition of inhabitants should always take priority and that establishing a connection with your local area does not necessitate looking to the past.

One way to enable a peripheral areas of the UK to catch up would be allowing local missions to be established by a network of actors, most notably local businesses, who would then direct a pot of funding through the Shared Prosperity Fund.

## FINALIST

# The rationale for and design of the Place Premium

Jamie Thunder (WPI Economics)

In an interview earlier this year<sup>34</sup>, the football manager Carlos Carvalhal recounted his time at Swansea City. When he took over, Swansea were languishing at the foot of the Premier League table. After a good start to his tenure, a succession of injuries took their toll and results began to go badly. The club was relegated, and Carvalhal left.

Carvalhal didn't blame any single factor for this, but he did point out some of the difficulties the club's lowly position caused. In the January transfer window, the club had identified some players they thought could improve the situation. Their clubs wanted to sell. The club wanted to sell. Swansea could afford the transfer fee and the wages. But the threat of relegation meant the players didn't want to come – which then increased the threat of relegation. Put bluntly, struggle begets struggle.

The success or failure of a football club is not a matter for public policy. But we can apply the same insight to one of the most pressing issues in the Western world. In both the United Kingdom and the USA, the idea of the 'left behind' has been crystallised by the Brexit referendum and the election of Donald Trump respectively. Whatever your thoughts on those elections – mine are probably as you'd expect – or the balance between economic, cultural, and Russian forces in determining their outcomes, this renewed focus is welcome. In both countries, places have been locked in cycles of decline: a lack of jobs leads to a lack of young people leads to a smaller workforce leads to less opportunities for businesses leads to a lack of jobs. Struggle begets struggle.

This phenomenon of unequal growth has not been adequately addressed by policymakers. Places have been left to wither, and the people who live there disregarded. The struggles of places like Thanet or Redcar would be familiar to Carlos Carvalhal. But when it comes to places, there's no relegation to an easier league, just ever-deeper sinking into misery.

That can't continue, on moral or economic grounds, nor if we have any interest in starting to undo the fissures this has created. To get some insight into how to enable left behind places to catch up, we need to know what we mean by left behind, and to do that I'm going to focus on England. For this article I've defined a 'left behind place' as anywhere that has been in the bottom 25% of English local authorities by Gross Value Added (GVA) per head for at least seven of the last ten years, which gives us 75 local authorities.

When you look at these places, you immediately see a number of things. Firstly, that more than eight million people – one in six – lived in a left behind place in 2016. Secondly, that while no part of the country is without its left behind pockets, they are not evenly distributed: around a third of local authorities in the north and midlands are left behind, compared to 14% in the south of England.

You also see that two thirds of those local authorities have been in that bottom 25% for *every year* between 1998 and 2016. And the gap is growing. Left behind local authorities have, on average seen half the real-terms GVA-per-head growth than not left behind areas (13% compared to 26% between 1998-2016), and in the time the gap has increased by a third from £24,000 to £32,000 per

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<sup>34</sup> 2018

head. And remember that places that are not left behind don't just include thriving city centres but places like Southend and Pendle; the gap would be even starker if we compared the bottom 25% with the top 25%.

This confirms what we suspected: there is a serious, entrenched, and growing problem of left behind places, affecting huge numbers of people. But to understand the drivers of this – and how the situation might be improved – we have to look a little deeper. It's at this point that the stories start to get more distinct; these are places left behind in different ways. Some have suffered since the decline of industrial jobs, others as holidaying patterns have changed. Others still seem to fit neither of those profiles, but are rural and remote.

And these places do not face the same challenges today. The ONS publishes 'indices of multiple deprivation', which combine several measures to gain a fuller picture of an area's profile across areas like health, education, employment, and housing. Just one left behind place (Wyre Forest) ranks in the bottom half of local authorities for all of these measures, although a further 25 are in the bottom half for all but one.

So what does this suggest? For one thing, it suggests that a focus on a single factor is dangerously myopic. Improving health outcomes, for example, is not a priority for a third of left behind areas, and sufficient for none. That's not to say improving health outcomes doesn't affect other indices like employment or income, but it does not affect them directly, and these are areas that need to see direct and immediate action in these areas as well as longer-term rebuilding.

It follows that any solution, or set of solutions, needs to be flexible to take into account the local characteristics of the problem: the factors that keep a place behind. This suggests that any solution either needs to include a wide-ranging set of interventions from central government, or for more ability for local governments to address the issues in their areas.

Policies that aren't likely to be put into practice are bad policies. And the idea that in the UK the relevant central government departments for business (BEIS), education (DfE), transport (DfT), health (DHSC), housing (MHCLG), and crime (HO) will work together consistently over a long period to address these issues is simply a fantasy. Any one of these departments failing to hold up their side of the bargain through poor communication, a policy focus on other areas, or a Minister's political power play will leave places – and more importantly *people* – continuing to languish. Targeted central government initiatives can and should be part of the solution, but they can't form the backbone.

Rather than kinds of policies, then, it's in the spirit of practicality as well as 'policy efficiency' that I propose a single policy as the key to enabling left behind places to catch up: a Place Premium. If the name rings a bell to UK readers, it's supposed to. The Pupil Premium, introduced by the 2010-15 coalition government, recognises that schools with a high proportion of pupils from disadvantaged backgrounds face more barriers in education, and provides these schools with additional resource to complement the additional challenges.

A similar dynamic exists in local areas. Places with a cohort (for pupils, read population) with various challenges will always find it harder to succeed (for GCSEs, read GVA). And while there's no formal or high-stakes measure of accountability for local authorities in the same way as for schools, struggle begets struggle in similar ways.

Like the Pupil Premium, the Place Premium should give local authorities freedom to tackle the problems that are holding them back in the ways they see fit. While the impact of the Pupil

Premium is still being debated, many of the criticisms made of it (including imperfect targeting of the additional money using Free School Meal eligibility, the decision to require schools to spend this money on the eligible pupils rather than for whole-school initiatives, and the fact that many of the issues holding back students occurred outside of the school gates) are concerns that don't arise, or arise less, with the Place Premium.

The Place Premium should have two clear, central goals: to reduce the number of local authorities that are left behind, and to reduce the gap in GVA per head between the bottom 25% and the rest. As a matter of mathematics there will always be areas of the country in the bottom 25%, but there is no law of mathematics that says the same local authorities need to be in there year after year, nor that the gap needs to keep widening.

The size of the Place Premium is a matter for Parliament. But as important as the size are some key design features of the Premium, which affect both how usable it is by local authorities, the extent to which it supports genuine long-term improvements, and how its use is accountable nationally. The first essential feature is that the money is long-term, secure, and not ring-fenced. The problems the Place Premium is intended to solve are ingrained and will take time to address. Short-term, uncertain, or inflexible funding will be useful for some problems, but far from all.

This also means that in the first years at least the focus cannot be on *outcomes*. That might seem perverse, especially from someone who thinks outcomes are the primary goal of policy. But if outcomes from the Place Premium are judged annually, or even every five years, it will incentivise only activities that can have effect in that time period. Immediate interventions have their place, to take the edges off the problems faced by an area (this could be improved crisis mental health support, or substance abuse treatment, for example). But they need to be complementary to, not instead of, more fundamental changes.

That doesn't mean that money should be handed over with no expectations. But in the early years of the policy the expectations should not be based on outcomes, but inputs: after a period of (say) five years, local authorities should be required to report two things to MHCLG. The first is how they have used the Place Premium: what they have done with it, what services it has enabled or provided, or what longer-term changes it has set in motion. The second is *why* they have used it in that way. What analysis was undertaken to identify the types of problems the place faces? And once those problems were identified, what actions has the local authority taken to address them and why those actions?

The second essential feature is that the allocation of the Premium should not just be limited to those places that are left behind on a given date. Places that are not left behind now may become so (Southend and the East Riding of Yorkshire have spent the last six years in the bottom 25% for GVA per head, but the four before that outside of it, so just missed my threshold; several others have periodically been in and out of that bottom 25%). And if the policy is successful places that are currently left behind will no longer be. So it needs to be flexible enough to support places that are becoming left behind, and to not whip the funding away from places that may no longer be left behind but whose gains remain fragile.

This means each year we should re-apply the threshold to see if new places are left behind. And if somewhere is no longer left behind, its Place Premium should be gradually reduced, not just removed. This could be a reduction based on the number of consecutive years no longer left behind, or linked to the degree to which the place is now above the 25<sup>th</sup> percentile GVA threshold, perhaps on a rolling three-year average to deal with fluctuations.

At one level this risks sounding like “throw money at the problem”. And at one level it is. But crucially that’s not *all* it is – this isn’t just about increasing budgets. The Place Premium has a rationale, a purpose, an end goal, oversight, and a long-term outlook; these are things all too often lacking when increased funding is touted as an answer. And over time, if the policy is successful, the need for it will reduce. Fewer places will be left behind, and so the funding will be withdrawn. As a concept the Place Premium is not particularly complex, and it’s not particularly innovative. But it doesn’t need to be. A generous, long-term, unhypothecated increase in central funding for left behind places is the single policy that would do most to address the issue of left behind places in the UK, the USA, and beyond.

It’s time for meaningful action on left behind places, not just words, reviews, or piecemeal policies. It’s time to recognise that in left behind places live left behind people. It’s time for a Place Premium.



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