



## Crossing Channels Episode 5

### Will Levelling Up Work?

#### SUMMARY KEYWORDS

levelling, policy, white paper, places, government, fiona, devolution, uk, people, cities, important, towns, question, elected mayors, point, areas, ambition, problem, big, rural areas

#### SPEAKERS

Sylvain Chabe-Ferret, Mike Kenny, Rory Cellan-Jones, Fiona Reynolds

#### Rory Cellan-Jones 00:05

Hello and welcome to Crossing Channels, a podcast collaboration between the Bennett Institute for Public Policy at the University of Cambridge, and the Institute for Advanced Study in Toulouse. This series is all about using the interdisciplinary strengths of both institutions to explore some of the many complex challenges facing our societies. I'm Rory Cellan-Jones, and today's episode is asking the question: will levelling up work? In other words, just how easy is it to tackle regional economic imbalances in the way the UK government is trying to do with its recently published levelling up white paper? To explore these issues today, our first guest is Mike Kenny, from the Bennett Institute might remind us of your main research interests.

**Mike Kenny** 00:56

Thanks Rory well, I guess I'm really interested in quite a big question, which has been in the air for some while is: What does more place focused approach to public policy mean? And that's something we've been working on at the Bennett Institute for some while. And within that very big question. I'm interested in things like what sort of policies do we need to develop to renew left behind places? And what sort of role is there in the UK context for devolution in all of this?

**Rory Cellan-Jones** 01:25

Great, so you are mister levelling up, it seems like our second guest is Fiona Reynolds, also from the Bennett Institute. Fiona, give us a very quick overview of your work.

**Fiona Reynolds** 01:34

Well, I'm a geographer, and I suppose that makes me passionate about place too. And I spent most of my career in the voluntary conservation sector, ending up as Director General of the National Trust, looking after special places, and becoming really interested in what makes a place special, what makes a place matter to people. I've also been involved with planning policy for many years. And so now, I think for me, the levelling up agenda is an important opportunity to discuss how we do make policies and actions place sensitive, which we're frankly not very good at doing in the UK

**Rory Cellan-Jones** 02:13

Lots to think about there. And our final guest is Sylvain Chabe-Ferret, from the IAST. Sylvain, what do you focus on?

**Sylvain Chabe-Ferret** 02:21

I'm an economist, and the topic of my research is mostly methodological. So I'm asking questions about how can you estimate or identify the impact of public policies? So that's my general broad area of interest. And I'm relying a lot on econometrics and statistical methods to do that. And I apply this to policies mostly in environment, and also job training programmes. So this is where, where I'm coming from.

**Rory Cellan-Jones** 02:47

So you will be very relevant to how I'm going to start here on how we measure whether these things have actually worked. How would we know if levelling up had worked? How would we measure that? Sylvain get us going on that.

**Sylvain Chabe-Ferret** 02:59

You are exactly at the crux of the issue that we are trying to tackle. The key question is how you measure impact of public policy is a question that has animated people for

and researchers for a long time. It's a very, very difficult question, what you would like to have is a counterfactual word that's actually a term that has been invented by David Hume, like a long time ago, but still remains really valid. So what you would like to have is a world in which you didn't give the policy, you didn't implement it. And you could compare what has happened in your factual world, the actual world where the policy has happened to what would have happened in this counterfactual way in which the policy did not happen, and everything else was the same. So the difference between these two states of the world, the factual and a counterfactual is basically the definition of the policy impact. The thing that makes my work extremely hard, and at the same time extremely rewarding is that we do not ever observe the counterfactual world. So we have to recreate it with a lot of different methods and tricks and try to make a convincing case that we have it. So to know really and exactly with our policy has worked is like extremely hard,

### **Rory Cellan-Jones**

And very political?

### **Sylvain Chabe-Ferret**

It's unfortunately also very political. I guess that also makes our work all the more difficult, because then we have to try to get to keep a level head when we are bombarded by political incentives to try to take position and stuff that is more interested in the political position instead of the truth. So that's, that's very hard.

### **Rory Cellan-Jones 04:20**

Mike Kenny, you're going to be an expert on the actual nitty gritty of the levelling up white paper. We'll come to that a little later. But big picture first, what is the overall aim here? And how will we know whether it's worked?

### **Mike Kenny**

The overall ambition of levelling up is considerable to address some deeply rooted regional inequalities across different parts of the UK. And you know, the point about that is that there as the levelling up paper makes very clear in its long sort of analytical introductory section, there are multiple causes of that very entrenched pattern of geographical inequality. One of the things that's really interesting about the white paper is it doesn't just talk about inequalities between whole regions, say, comparing them to London and the South East. It also talks about the complex sort of granular inequalities within regions as well, even in more prosperous one. So you've got a really quite striking level of ambition there. And that, of course, makes the question of knowing what your measures are, how you judge whether you've been successful, even more complicated, which I think connects with Sylvain's point there. I think what they've tried to do, if you look at the white paper, they've set out a lot of objectives, I

think they use the language of missions to talk about these objectives. And if you look at them, they really range in terms of how concrete they are. Some of them, frankly, are very, very open ended, and, frankly, quite woolly. I mean, I think there's one on well being that says, to improve Well, being in all areas of all regions of the UK, outside London, I mean, that's pretty,

### **Rory Cellan-Jones**

It's motherhood and apple pie.

### **Mike Kenny**

That one is, I mean, others are more specific. I mean, there were some that jumped out, the one that jumped out to me was an ambition to increase spending in research and development by at least 40% in every region outside London and the South East. Now, that's a very...

### **Rory Cellan-Jones 06:09**

How interesting that an academic would focus on a big boost in research and development...

### **Mike Kenny 06:15**

I know it's purely a coincidence. But I suppose the point I'm making is that they... how you cast the objectives is so important to this question of how we'll measure success. And the final thing, I'd say, as coming at this as a political scientist is, I mean, for all the focus on numbers, and you know, there'll be an attempt to sort of devise metrics around this. Ultimately, it's in the world of politics, that it will be decided whether this has succeeded or not, I mean, voters will ultimately have a say on this, and probably the decisive say.

### **Rory Cellan-Jones 06:43**

Fiona Reynolds, you've interacted with government in a number of high profile jobs over your career, what would you say about the kind of politics of how it's measured, because there will be huge fights won't there about the results of this and what they show?

### **Fiona Reynolds 06:58**

Well there will be, that's for sure, but I want to pay credit, first of all, to the government for a genuine attempt to be both cross cutting, and to embrace a number of very, very different kinds of outcomes. So, as Mike was saying, We've got commitments to investment. We've also got commitments, on health, on skills, on education, I mean, in a way that reminds me a bit of the postwar government's cross cutting ambitious

agenda. So I think it's really important. This is a genuine attempt to join up policies across the board and to be more placed based in their application. But as I said earlier, we're not very good at either of those. So I think the test is whether this time they can really deliver. And I have to say there is one glaring omission in the white paper, which I and others, I'm sure, will be shocked to see there is no environmental content. So we look at the capitals approach the white paper that is structured, around recognising the very different principles you apply, it talked about physical capital, human capital, intangible capital, financial capital, social capital, and institutional capital, it does not talk about environmental capital, which is a very stark omission. And to me, not just a disappointment, but a big surprise, because if we don't embrace the environmental dimensions of levelling up, we won't get sustainable levelling up, which means it won't last. And I think we'll be missing an enormous opportunity for really genuine integration. So this is quite a big challenge, not only to deliver, but to me to embrace one of the most important aspects which is not even present in the white paper.

**Rory Cellan-Jones** 08:34

We're going to drill down into what's actually in it, and how the different policies shape up in a while. But first, I must go back in time, because levelling up is just a new phrase, it's the trendy new phrase for something that isn't a new problem. There are left behind communities in just about every country. And they've been policies for that in the past. I mean, Fiona, how has this worked in the past? I mean, we in this country in the UK had all sorts of regional policies, particularly back in the 80s, when the decline of manufacturing was a big issue. Across Europe, there have been all sorts of structural funds or regional funds. This is not new, is it?

**Fiona Reynolds** 09:13

It's not new. And in fact, you know, I mentioned the post war government. Barlow, Montague Barlow was commissioned to do a review of industrial policy in the 1930s, which was all about distributing jobs across the country. And that led indirectly to the new towns being established, which was a very significant decentralisation policy. So we have been trying for a long time. You mentioned the regional agencies in the 1980s. I think, though, what's different or what could be different now is this very substantial cross cutting view of government because in the past, I think those attempts have been very economic in focus this is, for the first time looking at health, education skills and the kind of underlying capabilities if you like of different parts of the country. But as I say, with the environmental aspect excluded, that's a big gaping hole for me anyway.

**Rory Cellan-Jones** 10:05

Sylvain, let's look outside the UK. Are there examples of successfully levelled up communities? And we've talked about his long history of policies to correct regional imbalances. I mean, has that been tried in France, for example? And has it worked?

**Sylvain Chabe-Ferret** 10:20

Yeah, that's a great question. So in a sense, the most miraculous things we have seen, like in the last 40 years, for example, has been a development of let's say, China, where like millions and millions of people have come out of poverty, it was kind of like this type of regional development. The key thing is whether we can do it in more developed countries. In Europe, we have like special policies. And in France, we also have this type of place based policies. The evidence so far on the impact of these policies in Europe has been rather positive, we would say. It's not like miraculous, it doesn't completely change the fate of a community. But the structural funds that the EU has been giving to remote areas or less developed areas of Europe has been shown to be effective, even though we are still missing, we are still missing the best evidence possible on these topics. At the moment. That's unfortunate. But overall, we think we have a decent record, but we still want to gather more evidence to be completely sure.

**Rory Cellan-Jones** 11:18

Mike, what's the evidence that you've seen both in Britain and elsewhere? I mean, one thinks, for example, of Italy, which is massively unlevelled up, very wealthy north and not pretty, not wealthy south.

**Mike Kenny** 11:32

Yeah. I mean, there are some really striking examples. I think France is very interesting to start there, because, of course, Macron's particular initiatives in recent years, which I think have one element of similarity with the politics or the focus that's fed into the white paper, which is a particular focus on towns. And I think going back to Fiona's point, one of the really interesting things about the white paper is that whilst it does build upon a lot of preceding analysis, which has often been focused on cities as boosting those as the engines of growth, and quite rightly, I think it also reflects a growing concern, which in the UK case, is probably quite connected to Brexit with the particular needs of towns of hinterland areas and of towns on the edge of large cities, sometimes removed from those cities that have not been doing well. And I think France and the Macron initiative, which is I guess, it's too early to tell, kind of what, you know, how how well, what sort of impact that's had. That's an interesting point of inspiration. The other point of comparison, that's in... mentioned in the white paper, and you've there's been a lot of talk about is Germany, and in particular, whether the long term focus on East Germany following reunification, whether that presents us a meaningful point of comparison for the UK. And that's partly because the idea, it's very shocking fact, which has sort of emerged in the discourse around levelling up, which is that, you know, the gap between our poorest regions and London in the southeast is actually as large if not larger than East Germany, poorest parts of East Germany and West Germany at the point of unification. I mean, that's just shows...

**Rory Cellan-Jones**

That's shocking.

**Mike Kenny**

It really is shocking, the scale of the challenge. The point there, though, and it's always the point where when you're looking to learn from other examples, is that the right comparison in policy terms, I mean, just look at the the spending commitment that the German state has put into that project, and that kind of immense nation building project. I mean, it comes one estimate is it's been something like 55 billion pounds in equivalent per year. Well, we're a long, long way short of that. And of course, it's taken 30 years, and there's still a debate in Germany, about poor areas and towns within East Germany. So I suppose that's sobering and important and valuable. I think that the UK policy community is looking abroad. I think there's a question about where though, you look for meaningful points of comparison and learning in policy terms,

**Rory Cellan-Jones** 14:02

Fiona, do you look abroad to anywhere, that's an example of success that we can imitate?

**Fiona Reynolds** 14:07

Not specifically as success. But I think I look at the cultural implications, because if you look both, particularly France, and Italy, not only are they much more placed based in their thinking, and you can see that in the attention that you are able to give if you actually think spatially and geographically in policy, which we don't do here. But I also think they're much more devolved in their administrations. And perhaps that's the other aspect of the white paper we haven't yet discussed. I mean, there's very clear commitment to actually to more institutional devolution through elected mayors and others, because, again, if we think of both France and Italy, that the power of the local mayor in championing their place, and in creating a sense of purpose and ambition, is very much not present across much of England. And the elected mayors have made a difference. It's early days yet but actually the areas that aren't going to have an elected mayor one feels goodness you know, will they be further left behind as a result of these policies? So there's definitely a kind of decentralisation stroke local democracy aspect here, too.

**Rory Cellan-Jones** 15:09

Mike, I think we still haven't actually got in front of us the specifics of the white paper, what is in it that is different from what's been tried before?

**Mike Kenny** 15:19

There are lots of different ideas in it that as you will be quite familiar to people who followed this era. So perhaps inevitably, a lot of it builds upon previous attempts to do regional policy or to tackle the challenges of regeneration, different areas. But what looks to me like the most distinguishing features, I suppose I'd pick out three things. I mean, one, Fiona's touched on already, I think the fact that levelling up is a cross government priority, this is something that all of government is supposed to get behind and relate to, that is new, what that will mean, and whether whether it will be possible to coordinate policy across these different areas and across the silos of Whitehall is a

very open question. The other couple of features I picked out, I mean, one is at the level of analysis, I mean, the analysis part of the white paper is very strong. It's a very developed account of the problems that face our regional economies. And and it's it's one that is clearly very informed by lots of reading and research and knowledge. And one of the things that strikes me about it is that there is this emphasis both on I think correctly on the underperformance on that relatively if you compare with other cities and other European countries, one of our biggest problems is that outside London, and perhaps Manchester, you know, many of our other cities are just not firing in economic terms. And the white paper accepts that that's been partly to do with a lack of support from the centre and in fact, an overly centralised approach to policymaking. So that's a really big point. I think it's important, but it also accepts that there are problems in the UK context, particularly in England, which is the main focus of the white paper with those places, which are left behind which are struggling, or are in a kind of very difficult cycle of decline, and which, frankly, are not going to be improved in any time soon, purely by focusing on big cities. And I think that the idea that policy needs to encompass the challenges facing left behind places is a really important element of this. And then the third thing I'd I'd stress is that devolution the point Fiona made is very good here, devolution is integrated here. It's not sort of set off to the side, it's not a sort of nice to have that will, sir ambition that might fall away when things get politically difficult. Here the devolution ambition is absolutely at the centre of it. And and I'd go one step further than than Fiona's point. I mean, there is a pretty clear objective that stated to have devolution introduced for all parts of England so that there won't just be a handful of elected mayors, there will be Combined Authority mayors, or there'll be county mayors in all parts of England. If though the crucial point here is that if areas come forward and are willing to participate in that, now that ambition is a fairly deliverable objective, it's going to be difficult, it's going to be extremely hard. But it's something that the government can be held to account for. And it looks as if it's something that the architects of the white paper are very serious about delivering. And I think that's actually important and different.

**Rory Cellan-Jones** 18:21

Sylvain, is there a problem that if you act in one place, you hurt other places? So I suppose what I'm saying is, is it possible for all places to be in a virtuous cycle simultaneously? Or does this kind of policy always leave some places out in the cold?

**Sylvain Chabe-Ferret** 18:39

One key thing that I think the white paper and the levelling up policies is aware of, and that we are all trying to build on in this area is that economic activities naturally clustered over space, the cost of doing something decrease as more and more people do it in a tiny and denser area? And that's because, you know, they share know-how, the workers or so can go from one firm to another, etc. They share also networks. And so all of that say that you want to try to create denser activity, economic activity, and everyone would like, you know, to to create its own Route 128, like in around Boston, that was the early beginning of the technological age, or everyone wants to create its own Silicon Valley for sure.

**Rory Cellan-Jones** 19:20

Everybody wants to be Silicon Valley!

**Sylvain Chabe-Ferret** 19:23

It's actually extremely difficult right? The key question that we face now is, can government policy do that, like influence that type of location of economic activity? The point you were making is extremely accurate, like the evidence we have so far from France's policy and from European policies is that it's extremely hard to influence the location of economic activity from governments. So what we have seen for example, is when you give tax breaks to firms to enter into some zones, data for example, zones are lagging economically, what happens is that they relocate most of them relocate from just next door, right? They just change their headquarters, and they don't get anything just to benefit from the tax breaks. So that's one thing we've seen, we've also seen the same thing, with programmes helping unemployed workers trying to find a job, what we have seen is that they actually hurt people that do not receive the support, because they would have received the job otherwise, but they were in competition with these people that received the support. And now they do not, when you try to concentrate money in someplace, you may be taking money from somewhere else and making it less effective. So that's, that's really something that is hugely important. And on which to be frank, we have not a lot of a lot of evidence because like, like you were saying, when we try to say that something has worked or not, we try to use evidence of past policies, past experience, and try to learn about them using statistical econometric methods. And what we have learned so far is that they work but in a limited way, these type of policies. And we face two challenges, I think when we think about what would happen if we were to scale up these policies at a big scale, like the levelling up policy tries to do. The first one is that maybe the evidence we have is very specific to certain types of places where the policies have been implemented so far. And the new, if you generalise it to every place in the country, the new places that you have are going to be different, and they do not react in the same way to the policy. The second thing is what we talked just before the fact that there are interactions. So if I help a place, maybe I am making it more difficult for another place to thrive. And the last thing that we are discovering now is a problem in house for science, which is the fact that we have published in the published record, in the academic record, mostly studies showing that these policies work, all the studies that show that these policies don't work, most of them finished in a file holder and do not get published.

**Rory Cellan-Jones** 21:45

It's just like pharmaceutical research.

**Sylvain Chabe-Ferret** 21:49

Exactly. That's exactly the same thing like pharmaceutical research. And if you do that too much, then you end up having a really biased idea of what works and what does not. So that's that is an in house problem that we are trying to address right now, that

may be the easiest one to address. But also, it's very important that we do it before we can really say what is working.

**Rory Cellan-Jones** 22:03

And Fiona, I know that you've been quite concerned about rural areas in your career, however much there's talk of small places as well as big places. There's a huge emphasis on northern cities, isn't that going to create new inequalities leaving deprived rural areas out?

**Fiona Reynolds** 22:19

Yes, I think the community of academics and organisations that are concerned about the countryside are really worried it looks like this is not front of mind and thinking, as Mike mentioned, you know, there is more of a focus on towns and we've seen the Towns Stand and other initiatives trying to look at revival of that sort of civic pride. But actually, the countryside in England is very intimately connected with towns and cities, people live and work between the two. And actually we see deep deprivation in rural areas and very few solutions, just a glancing reference to some of Defra's new farming schemes, but really very, very little in the white paper about rural areas. And we really want to make sure that this is seen to cut across the whole of society.

**Rory Cellan-Jones** 23:03

Mike, what's the sort of academic debate around that the idea that by favouring certain areas, you're almost bound to hurt others? And where's that going?

**Mike Kenny** 23:13

There has been a pretty lively debate in in the academic community about I think, particularly since Brexit in the UK, which has just taken a sort of, I think, unfortunately, polarised form between those saying, well, cities are the priority, that's where we're going to get our new poles of growth going. And that will then spill over to benefit nearby towns and other urban communities and perhaps into the rural areas that Fiona is talking about. And then other people saying no, no policy has unduly neglected towns that there are specific problems to do with towns, which also need to be addressed. And I mean, people love to divide around these things. And this has become I think, a sort of a bit of a sort of Punch and Judy debate. What's interesting is actually the white paper, it seems to me says government should walk and chew gum, it should actually try to think about both of these problems at the same time, clearly. And if you look at the long list of policy ideas that are in there, a lot of them are directed at towns and are geared around the sort of clustering idea that Sylvain described there. I mean, there clearly is an analysis that says that that's got to be very important. But there's an attempt, I think, to balance that by saying the social fabric of many places has deteriorated really markedly. And this is having a huge impact on people's health, upon the quality of their life, and on their life chances. And, of course, the government cares deeply about that, partly for electoral reasons, because it's very concerned about the prospects of so-called red wall voters. So I think you see an interesting blend that one point I'd add to what Sylvain's thoughts there which I think a very it's a very well made

point that we need to be modest, I think in our thinking about and realistic about policy and what policy can and can't achieve. We've got to remember that there are some very deep, powerful underlying forces in our economy, which are producing the effect of separating places out. Places that are doing well that have this so-called Medici effect that the white paper talks about. They become huge attractors for those people who've got the best qualifications and are most able to move and most mobile. And once that happens, then those places that lose those people do even worse. So you're absolutely right, Rory, that it's not just that some places are doing better than others. But when certain cities thrive, other places actually do even worse. And I think we're just beginning to understand those dynamics and frankly, there are some things policy can do and absolutely should try to do, but that some of this is just really difficult to reverse. We're using policy almost to stop the escalator speeding up, you know, these are very deeply rooted processes to get to grips with.

**Rory Cellan-Jones** 25:56

Well, let's end by getting each of you to sum up whether levelling up really is a radical new approach to regional policy, and whether you think it's actually likely to work. Sylvain, you go first.

**Sylvain Chabe-Ferret** 26:06

Let's say that what I find very interesting in the levelling up white document is the emphasis on innovation, the type of increase on innovation subsidies, that is in the levelling policies seems maybe not unprecedented, but is to be at one of the biggest scales we've seen so far. And for sure, we know that part of what makes the advance of places that thrive in the modern economy is innovative based innovation... is innovation. So this is very interesting and could really make a difference. Now, with this type of innovative credit, can you take lagging regions and make them like whole again? Like Mike was saying, I think policy is a very small tool, very small lever to try to move some huge forces that we that are economic forces that are the world is undergoing at the moment. So maybe it will make some difference. But I will not hope that it changes the face of economic activity in the UK.

**Rory Cellan-Jones** 27:04

Fiona, you started us off by being actually quite optimistic and welcoming of the whole approach. But you did inject a bit of concern, particularly about the environment. So how would you sum up?

**Fiona Reynolds** 27:17

Well, I think there's no doubt that levelling up is going to be the big political imperative of the next few years. And rightly so it's a social problem, that we have such disparity across the UK, but it has to be sustainable levelling up, there's no point in trying to build fancy economic castles in the air, if we don't actually have a commitment to genuine sustainability, not just through, you know, the big investments we make, but through the ability of each and every one of us to live more sustainable lives for the long term. That's what worries me that unless that framing is provided, we

could invest money to create all kinds of things that look good in the short term, but are not good in the long term. So that's my fundamental worry about it.

**Rory Cellan-Jones** 28:00

And Mike Kenny, I mean, the big question, I suppose is, how long term the vision is? These things don't pay off in usually in a matter of a couple of years, or or do they?

**Mike Kenny** 28:10

I mean most of the targets that are set out the objectives that are listed in the white paper, I think, have 2030 as the date against which they'll be ticked off. Now, that, of course, is beyond the lifetime of the current administration, and is, you might say, sufficiently far off in the future for the current government not to be on the hook for them. But I think clearly the architects of the white paper know that something's got to happen more quickly than that as well. If you read it carefully, there are certain targets here that might be delivered more quickly. I think some of the focus on civic pride on making the look and feel of left behind places change, you make those improve. I mean, some of that could happen more quickly. The big problem here is really a problem that's rooted in the heart of British politics, which is how can one government which has commendably, I think taken, said this is a really important strategic objective. This is not just about a few policies here and there. This is about a whole new strategic approach. But how can it make that approach endure? How can it ensure that its successor and his successor after that follows in it? And the honest answer to that is it's very difficult to do that in the British model. So that's why I go back to devolution, it might be that if it's changes those structures of government if it does develop a model of devolution, that disperses power and responsibility that could endure, but as they take this forward, they really need to be thinking hard, both about the very short term, and what's going to make this live beyond the next election.

**Rory Cellan-Jones** 29:39

Well, we've tried to take a long term view but that is all we have time for on this episode. Thanks to our expert panel, Mike Kenny and Fiona Reynolds from the Bennett Institute and Sylvain Chabe-Ferret from the IAST. Let us know what you think of this fifth edition of Crossing Channels.

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