Regional inequality, regional policy and progressive regionalism

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The fourth instalment of the Soundings futures series looks at regional policy.

Regional inequality has re-emerged as a major political issue in Britain in recent years as the effects of the post-2008 economic crisis and associated austerity measures have exposed stark regional disparities, particularly between London and the South East and former industrial areas and rural districts in the North and Midlands of England. These divisions have been further highlighted by the Brexit vote of 23 June 2016, with many disadvantaged former industrial areas voting 'leave', pointing to a widespread sense of political disenchantment and abandonment.

Regional inequalities in Britain, commonly symbolised by the notion of the North-South divide, are, of course, deeply entrenched, dating back to the nineteenth century and beyond. They reflect not only the legacies of the underlying process of deindustrialisation from the 1960s and the growth of financial and producer services in the greater South East, but also a longer history of imbalanced inter-regional relations and the geographical concentration of power in London.

Since the establishment of the 'special areas' in the 1930s, successive governments have expressed varying levels of political commitment to tackling regional inequalities. Since the 1980s, regional policy has been informed by neoliberalism, favouring 'bottom-up' and business-oriented forms of local and regional growth. During this period shifts of government have often been accompanied by institutional 'churn', as incoming administrations have sought to stamp their own political imprint on the landscape of sub-national economic governance. This preoccupation with institutional reform has been described by one commentator as amounting to 'a pathology of compulsive re-organisation', involving the 'wholesale sweeping away and re-creation of organisations and an endless tinkering and meddling with what currently exists'.[1] Despite a recurrent rhetoric of localism and decentralisation, this meddling reflects the underlying centralism of the British state, which enables central government to impose its favoured institutional structures on regions and localities. While devolution to Scotland, Wales and Northern Ireland can be seen as exceptional in this respect, the devolved governments often act as centralising forces within their respective jurisdictions.

This article assesses the scale of regional inequalities in Britain and the orthodox policy initiatives that have been advanced to address them. It argues that successive policy initiatives have failed to reduce regional inequalities - they have in fact widened in recent decades. It then sets out some elements of an alternative agenda, based upon a fundamental reshaping of the structure of economic governance.[2]

The scale of regional inequalities

Britain now has one of the highest levels of regional inequality of any major European economy (Table 1). According to data from Eurostat, the gap in GDP per head between the richest and poorest regions in the United Kingdom ranked fourth in a sample of 20 EU countries in 2014.[3] While levels of regional inequality fell somewhat in the post-second world war period, they have grown since the late 1970s, coinciding with the most severe period of deindustrialisation, the curtailment of traditional regional policy and the introduction of neoliberal policies. Regional inequalities accelerated in the 1980s and continued to widen throughout the sustained growth phase of the 1990s and early-to-mid 2000s. By contrast, levels of regional inequality have fallen in several European countries (Table 1).

The magnitude of regional inequalities in Britain is evident in the levels of

Table 1 Regional imbalance in selected European Union countries*

	1980	2001	2011
UK	0.31	0.36	0.45
Belgium	0.43	0.44	0.37
Germany	0.35	0.23	0.23
Italy	0.32	0.28	0.22
Netherlands	0.17	0.20	0.21
France	0.15	0.18	0.19
Spain	0.14	0.19	0.15
Greece	0.35	0.21	0.14
EU-15	0.32	0.28	0.33

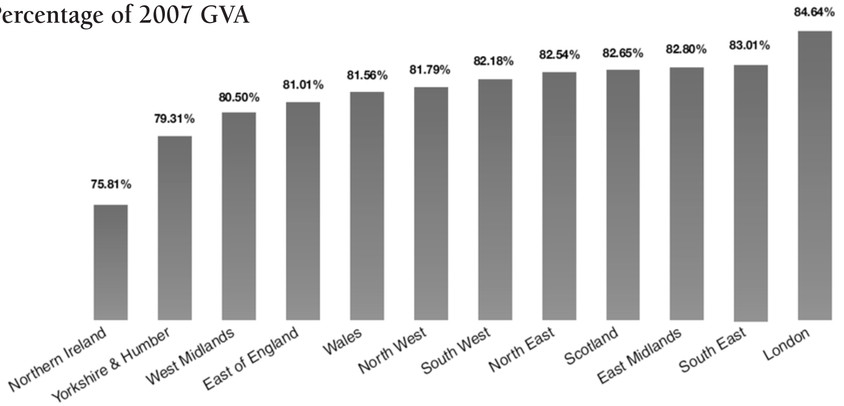
* Figures show coefficient of variation in regional GDP per capita (purchasing power standard (PPS), NUTS-2 regions)
Source: R. Martin, A. Pike, P. Tyler and B. Gardiner, 'Spatially rebalancing the UK economy: towards a new policy model?', *Regional Studies* 50:2, 2016. From Cambridge Econometrics, European Union Data Base.

nominal GDP per head in 2014. GDP per head is some 2.4 times higher, at £45,000, in the richest region (London) than in the poorest regions (Wales and the North East), where it is around £18,000 per head. Levels of GDP per capita relative to the UK average were lower in 2013 than in 1988 for all regions outside London, the South East and the East of England - except for Northern Ireland, which had the lowest GDP per head relative to the UK average in 1988 and continues to lag behind.[4]

These regional differences in living standards are underpinned by differences in innovation and skills. For instance, a wide gap exists in regional spending on research and development (R&D) per head of the working age population. Here, the most R&D intensive region, the East of England, has levels of investment that are four times those of the lowest R&D intensive region, the North East.[5] There are also clear regional differences in skills, with the proportion of the workforce with higher-level qualifications being 20 per cent higher in London than Northern Ireland, Yorkshire & Humber and the North East. These figures demonstrate that the notion of the North-South divide is well grounded in broad regional patterns of inequality, but it should also be noted that such a characterisation is in some ways quite crude, given that inequalities within regions are often greater than those between them, with London having the highest levels of inequality.

The post-2008 'great recession' and subsequent partial recovery has also had an uneven regional impact, largely reinforcing and widening existing disparities. While all regions experienced a sharp drop in output, this was greatest in poorer regions such as Northern Ireland, Yorkshire & Humber and the West Midlands (Figure 1). Many of the cities and regions hit hardest were those still affected by the legacy of industrial restructuring and previous recessions, mainly located in the North and Midlands. In addition, welfare reforms have also had the most adverse effect on the poorest areas, particularly older industrial areas, seaside towns and some London boroughs, which have the highest concentrations of welfare claimants.[6]

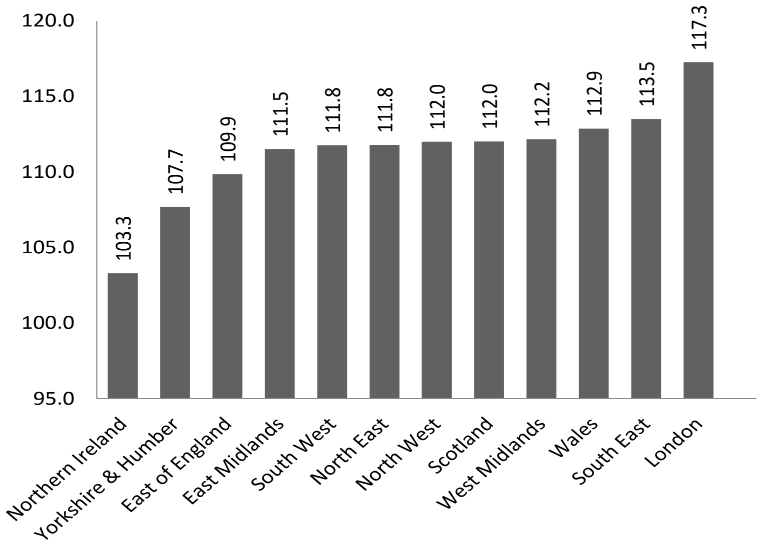
Figure 1. UK Regions 2011 Gross Value Added Per Capita as a Percentage of 2007 GVA



Source: D. Johnson, 'Introduction: tackling Britain's regional inequalities', in Unions 21, Rebalancing the Economy: New Thinking on Tackling Britain's Regional Inequalities 2015, p7.

Moreover, the regions have experienced uneven rates of recovery since 2010-2011, with London enjoying the highest rate of growth (Figure 2). This echoes the historic tendency for regional inequalities in Britain to widen considerably during periods of economic growth, as London pulls further ahead of other regions. The London region experienced a particularly strong economic rebound in 2010-2012, with full-time equivalent employment growing by more than three times the national average.[7] Growth in private sector employment did resume after 2011 in older industrial parts of Britain, but between 2009 and 2013 the rate of growth in these areas was only one tenth of that in London and the South East.[8] Many of these older industrial areas recorded high 'leave' votes in the Brexit referendum, reflecting a sense of being left behind by globalisation, deindustrialisation and neoliberal economic policies. They are also highly exposed to the consequences of Brexit, however, both in terms of the

Figure 2 UK. Regions 2015, Gross Value Added Per Capita as a Percentage of 2008 GVA



Source: ONS, Regional Gross Value Added, Income Approach: www.ons.gov.uk/economy/grossvalueaddedgva#datasets

loss of European regional funding and their dependence upon access to European markets for manufactured goods in particular.

The widening of regional differences in Britain since the late 1970s reflects the operation of the neoliberal national growth model. This is underpinned by debt and the housing market, with rising house prices enabling the release of equity to support consumption, supported by the liberalisation of financial markets and low interest rates.[9] This growth model has itself fuelled regional disparities, favouring the south of England where housing markets have been far more buoyant, thus supporting higher levels of consumer spending. Fuelled by the exorbitant salaries and bonuses on offer in London's financial sector, and accentuated by an influx of overseas investment, the house-price gap between London and the rest of the country has reached unprecedented levels, with average prices in London more than three times those in the North.[10] The widening of regional inequalities in recent years reflects the resumption of this model, despite the rhetoric of regional rebalancing. This has been further reinforced by the pronounced regional concentration of infrastructure investment, with currently planned infrastructure expenditure in London amounting to £5305 per head, compared to just £414 per head in the North East.[11]

The evolution of regional policy

The scale and severity of the regional problem in Britain has been reflected in the introduction of successive policy initiatives designed to address regional inequalities in prosperity and income. In the 1960s and 1970s this took the form of 'spatial Keynesianism', as successive governments used capital grants and financial incentives to redistribute employment from the prosperous South East of England to more peripheral, lagging regions. Curbs on the growth of manufacturing and service industries in London and the South East were also introduced at this time. This traditional regional policy approach was based on a diagnosis of the regional problem as being rooted in a lack of demand for the products and exports of the lagging regions.[12] It emphasised the need to secure full employment and utilise otherwise redundant factors of production.

Such Keynesian policies were progressively scaled back in the 1980s and early 1990s, however, as Conservative governments sought to reduce expenditure and adopt more market-orientated policies. The Thatcher government's diagnosis of the 'regional problem' pointed to rigidities in the operation of labour markets, with workers and unions demanding excessive wages, deterring investment and creating unemployment, alongside an absence of enterprise and skills. This neoliberal supply-side approach was famously encapsulated by then Employment Minister Norman Tebbit's advice that the unemployed should 'get on their bikes' in search of work.

In contrast to traditional regional policy, which had aimed to direct investment into depressed regions through a range of 'top down' incentives and controls, a 'new regionalist' approach became prevalent internationally in the 1990s. This focused on internal factors and conditions within regions, viewing these as the key to generating investment and growth. Key strands of the 'new regionalist' approach include supply-side initiatives to stimulate innovation and learning within firms, measures to try to increase entrepreneurship, and efforts to develop and upgrade the skills of the workforce. Such an approach was espoused by the New Labour government after 1997, through measures that sought to harness the 'endogenous' potential of all regions, not only the lagging northern ones, but also the prosperous core regions of London and the South East. This sense of treating 'unequal regions equally' represented a key limitation of New Labour's policies.[13]

The key initiative here was the establishment of Regional Development Agencies (RDAs) whose brief was to foster the endogenous growth and regional competitiveness of the English regions. Whilst they did introduce an overdue regional development component into the neoliberal growth model, RDAs embodied something of a contradiction, given that they were effectively top-down agencies - funded, appointed and overseen by central government - but were charged with orchestrating 'bottom up' regional development. One central task for the RDAs was the formulation of regional economic strategies, but here the problem was that the powers they had been allocated were insufficient to coordinate the activities of other agencies and central departments active in their regions. Furthermore, the supply-side approach they embodied made little impression on entrenched regional disparities, and these continued to widen in the period of sustained national economic growth from the mid-1990s to the financial crash of 2007-2008.[14]

Any wider regional devolution agenda in England was effectively stymied by the rejection of proposals for a North East Assembly in the referendum of November 2004, leaving in its wake a weak and fragmented pattern of sub-national economic governance.

In recent years, approaches to regional policy have been influenced by the 'new economic geography' (NEG) approach adopted by economists at the London School of Economics and elsewhere. In its British variant, the NEG argues that the geographical agglomeration of economic activity in core cities and regions increases national economic growth, as increasing returns and knowledge spill-overs enhance innovation and productivity. This means that re-distributive regional policies risk diluting the effects of agglomeration economies and lowering national growth, and hence suggests the existence of a trade-off between the promotion of national growth and the reduction of regional inequalities - at least up to the point at which diseconomies of agglomeration (congestion costs, overheating, etc) begin to out-weigh its positive effects.[15] The implications for policy are often framed in terms of the distinction between place-based and people-based approaches, with the former defined in terms of traditional area-based regeneration and regional policy, and the latter involving measures to assist individuals in disadvantaged areas, particularly through education, skills and training. The recurring message is that policy should be directed at people not places, particularly in terms of enabling the residents of poorer areas to access employment opportunities in more economically buoyant areas, often alongside a rejection of area-based regeneration policies.[16] This is sometimes linked to critiques of planning controls for the costs they impose on growth.

Contemporary regional rebalancing initiatives

The Conservative-Liberal Democratic Coalition government of 2010-15 advanced a discourse of sectoral and regional rebalancing. This emphasised the need to foster the growth of manufacturing in all regions of the UK so as to counter the over-reliance on financial services in South East England, and sought to promote exports and private investment in areas that had become overly dependent on the public sector. According to the former deputy prime minister Nick Clegg:

> Our ambition is to foster prosperity in all parts of the country, harnessing the great potential across the range of industries in the UK. Opportunity must not be confined to particular postcodes, and hardworking and talented individuals must not be denied the chance to succeed. Instead, we must rebalance our economy, ensuring that growth is spread and prosperity shared.[17]

This discourse has emerged as a key policy response to the financial crisis of 2007-2008 and subsequent economic recession: it attributes the crisis to an unsustainable boom in consumer expenditure and public services, which it links to an over-reliance on financial services and the public sector, together with the contraction of manufacturing. In practice, however, it is clear that the limited economic recovery that became evident from 2013 to 2016 was largely based on a restoration of the neoliberal growth model as promoted by initiatives such as 'help to buy' and 'funding for lending' to support home ownership, particularly for first-time buyers.

Unsurprisingly, this did not lead to any spatial rebalancing from London and the South East to the poorer regions; rather, the opposite appears to be occurring, as set out at the beginning of this article. This is exerting pressure on the government to manage the contradiction between the discourse of rebalancing and the limitations of the policy instruments established to promote it.

The Coalition government set out its new local growth agenda in its *Local Growth White Paper* of 2010, which announced the abolition of the RDAs and the establishment of new local growth structures and initiatives. This abolition was later described by Vince Cable - Secretary of State for Business, Innovation and Skills at the time of its announcement - as signifying the Coalition's 'Maoist moment'.[18] The White Paper, however, described regional policy as being based on 'an artificial representation of functional economies', and criticised the RDA approach as overly centralised, and as leading to policies which worked against markets and stifled local competition and growth (p7).

The Coalition government's solution was to establish Local Enterprise Partnerships (LEPs) and the Regional Growth Fund - which were followed by the creation of Enterprise Zones and other initiatives. It invited councils and business leaders to come together to form the LEPs, and 39 were ultimately established across England by the end of 2011. This has created a highly localised and fragmented geography, which has largely confounded government discourse about LEPs mapping onto functional economic areas as opposed to the 'arbitrary' boundaries of RDAs. LEPs have been widely characterised as under-resourced and under-powered, despite the allocation of additional finance through the new Single Local Growth Fund from 2015.

Enterprise Zones - in many ways replicating a similar flagship initiative of the 1980s - offer simplified planning procedures, discounted business rates, support for superfast broadband and capital allowances on investment. Twenty-four were initially established in England, with the total subsequently rising to 48. LEPs and local authorities are permitted to retain the receipts from any business rate growth within the zone for a period of twenty-five years, reflecting a broader trend toward limited fiscal localisation. In contrast to the 1980s, when the focus was on areas of post-industrial decay, many of the new zones are in city centre locations, emphasising job creation potential and the minimisation of barriers to development.

The Regional Growth Fund was established in 2010 to promote regional rebalancing by supporting private sector investment and job creation in areas that are over-dependent on the public sector. It allocated £3.5 billion of funding from 2011 to 2015 through a succession of competitive bidding rounds, although the administrative complexities of the scheme led to substantial delays in payments reaching businesses. Reflecting the aims of the scheme, the distribution of funds is orientated towards less prosperous regions with higher levels of public sector employment.[19] In October 2016 the May government stated that no new funding rounds were planned.

A 2013 Report by the National Audit Office calculated that total expenditure on local growth in England over the five years from 2010-11 to 2014-15 would amount to £6.2 billion, compared to £11.2 billion spend by RDAs over the five years from 2005-6 to 2009-10.[20] While the dip in local growth funding was particularly acute in 2012-13, when spending amounted to only £273 million, it has risen subsequently though the provision of additional resources. Nonetheless, there is a notable gap between the political discourse of regional rebalancing and renewed local growth and the scale of the resources available to implement it, in a context of on-going fiscal austerity.

Probably the best known contemporary regional policy initiative is the Northern Powerhouse scheme, announced by then Chancellor, George Osborne, in Manchester in June 2014. According to Osborne:

> if we can bring our northern cities closer together - not physically, or in some artificial political construct - but by providing modern transport connections, supporting great science and our universities here, giving more power and control to civic government; then we can create a northern powerhouse with the size, the population, the political and economic clout, to be as strong as any global city.[21]

This emphasis on the need to bring Northern cities together as a kind of transformative urban counter-weight to London reflects, in part, the influence of NEG thinking on the benefits of agglomeration economies. In contrast to the localist focus of LEP and Enterprise Zones, the Northern Powerhouse represents a pan-regional approach for the North, although its precise geography has remained rather amorphous: there has been a tendency to conflate a focus on Manchester and the relatively proximate core cities of Leeds, Liverpool and Sheffield with the wider economic interests of the North as a region. As well as attracting widespread political and public attention, the Northern Powerhouse has also triggered 'copycat' initiatives from other regions, most notably the West Midlands Engine.

Osborne's Northern Powerhouse initiative had four main elements. The first, and by far the most significant, is transport, which accounts for £6.7 billion of the total of £7.8 billion of funding attributed to the Northern Powerhouse from 2014 to 2016 by Neil Lee (it should be noted that some of this funding has simply been rebadged, and that it amounts to less than half of the £14.8 billion cost of Crossrail in London).[22] Transport is also the focus of the first real institutional expression of the Northern Powerhouse, Transport for the North, which is loosely modelled on Transport for London, and becomes a statutory body in 2017.

The second key component is science and innovation, including the new Sir Henry Royce Materials Research Institute (based in Manchester but with branches in Leeds, Liverpool and Sheffield) as well as investments such as an Innovation Ageing Centre in Newcastle. The third component is devolution, which involves the agreement of devolution deals between individual city-regions and central government, which in most cases requires the election of so-called 'metro mayors'. As well as the 'trailblazer' Greater Manchester deal, signed in November 2014, by September 2016 deals had been agreed with eight other areas, by which time, however, the momentum was slowing under the May government. The fourth component of the initiative incorporates culture, through a Great Exhibition of the North to be held in Newcastle-Gateshead in 2018, and funding for a new theatre and exhibition space in Manchester.

After a period of uncertainty, the May government affirmed its commitment to the Northern Powerhouse strategy in autumn 2016. It committed itself to building on existing work, with a renewed objective of raising productivity and growth across the North. In addition to the previous emphasis on improving connectivity, the government is prioritising skills investment, the further development of science and innovation and the promotion of the North to foreign markets and investors. At the same time, the need for economically lagging cities, towns and areas to catch up with the rest of the country in terms of growth and productivity is a key theme of the new government's approach to industrial strategy. There are indications here of a more geographically inclusive approach that incorporates smaller urban centres and rural areas in addition to the core cities, as reflected in the post-Brexit rhetoric of 'a stronger, fairer Britain that works for everyone, not just the privileged few'.[23] Yet the means by which a more geographically balanced approach can actually be delivered remains unclear, given the continued emphasis on science and innovation, universities and infrastructure, which seems likely to favour the larger cities. There is also some indication that the North, and Manchester in particular, may be losing some of its pre-eminence as the principal focus of regional rebalancing policy: thus the government is set to publish a Midlands Engine strategy, reflecting the increased prominence of the West Midlands in the run up to the Mayoral elections of May 2017.

From a broader perspective, it is apparent that a succession of regional policy initiatives, stretching back to the 1930s, has done little to alleviate regional inequalities. In a recent article, Ron Martin, Andy Pike, Peter Tyler and Ben Gardiner identify three main reasons for this.[24] First, while substantial funds have been invested, overall expenditure has simply been inadequate to tackle the scale of the problem. This was the case at the height of traditional regional policy in the 1960s and 1970s and the RDA approach in the 2000s, while the Northern Powerhouse faces similar, if not increased, constraints in a climate of continued fiscal austerity. Second, expenditure on regional aid does not operate in isolation, but is vastly out-weighed by other forms of government expenditure which tend to favour the more economically advantaged parts of the country. Examples include defence, research and development and general industry support, which have effectively acted as 'counter-regional' policies. Third, successive diagnoses of the regional problem have attributed it to various underlying deficits in the lagging regions (for example of industrial structure, enterprise or skills), rather than viewing it in terms of the relationships between the regions in the UK, and more fundamental aspects of the British political economy and system of economic governance. All this underlines the need for an alternative approach to regional policy.

Towards an alternative approach

As outlined above, existing regional policy is fragmented between a number of poorly co-ordinated initiatives, and it is also under-powered: financial resources have been limited and so too has the political authority of local and regional institutions. As well as having pronounced regional inequalities, the UK remains one of the most centralised states within the OECD. At the same time, despite the May government's new emphasis on the active role of the state, official policy continues to be driven by neoliberal assumptions about regional competitiveness, market-driven growth and the pre-eminent role of the private sector.

The alternative approach outlined below is couched in broad, overarching terms, seeking to elucidate some foundational principles and directions rather than setting out detailed policy prescriptions. It is designed to stimulate further debate, based on a model of progressive regionalism that aims to rethink regional policy as part of a wider political project grounded in the principles of social and territorial justice, equity, democracy and solidarity. Rather than focusing solely on the local and regional scales, this entails the adoption of a multi-level approach which aims to recast the relationships between central, regional and local government in a far more supportive and cooperative manner than anything we have seen from government hitherto: it involves a completely different approach from the reductive, zero-sum conceptions that have dominated political practice in recent decades. Such an approach would also seek to reimagine the relationships between regions themselves in co-operative rather than competitive terms, encouraging policy co-ordination and learning between regional institutions.

The first element of this alternative approach is a genuine and far-reaching process of political decentralisation, in contrast to the incremental and piecemeal approach adopted thus far. This is an essential first step given the acute centralism of the British state. Sub-national institutions need to be granted the financial capacity and political authority to make meaningful political choices in response to local needs and circumstances. The need for a coherent and overarching constitutional framework suggests that a federal approach offers the best way forward. Federalism is currently attracting renewed attention in the context of Brexit, the Scottish independence debate and English devolution.[25] It could provide the basis of a more cohesive and consistent system of democratic governance across the UK, combining far-reaching decentralisation to nations and regions with a crucial element of central co-ordination, particularly in terms of upholding welfare entitlements and a system of territorial redistribution between regions according to need. From the perspective of regional decentralisation, this has to be based on English regions rather than an English parliament. The conundrum here is how to partition England into politically and economically meaningful territorial units.[26] In view of the failure of political regionalism under Labour, this should build on the ongoing process of city-regional devolution, but would adopt a more comprehensive approach that also addresses the needs of rural and non-metropolitan areas. This federal system should incorporate fiscal devolution, in order to grant an important degree of financial autonomy to regional governments, although retaining an overall commitment to fiscal equalisation.

Secondly, as the crucial place-based part of a wider national industrial strategy, investment should target the areas of greatest economic and social need - such as older industrial areas, seaside towns and remoter rural districts - rather than focusing on the areas with the greatest economic capacity and potential, such as the core cities. Within this, employment should be given equal weight to productivity. Supply-side measures to encourage the residents of such areas to access employment opportunities in more economically prosperous areas are unlikely to succeed on their own, given existing levels of unemployment and underemployment in older industrial regions, and the mobility constraints experienced by less skilled workers. A new industrial strategy could play an important role in stimulating key economic sectors, but this would require moving beyond the preoccupation with science and innovation to embrace employment-creating 'middle skill' industries such as manufacturing, construction and healthcare. This demand-side approach should aim to build upon local assets and capabilities, and utilise the purchasing power of local anchor institutions (such as universities and hospitals) to foster local sourcing, whilst promoting co-operation between adjacent areas.

The third element involves the integration of poverty reduction into regional economic development strategies.[27] This builds upon the growing national and international interest in the concept of inclusive growth, but viewed from the broader perspective of economic and social development rather than economic growth *per se*. The aspiration for more and better jobs is central to this emerging agenda: the aim is to combine increased employment opportunities across age, gender, social and regional divides with higher quality jobs in terms of wages, productivity, progression, terms and conditions.[28] This emphasis upon the qualitative as well as quantitative aspect of job creation addresses issues of skills acquisition and utilisation, as well as the low wages and precarious employment that generate in-work poverty. Such an approach requires leadership from national and regional government to articulate a high-level strategic commitment to inclusive development and poverty reduction. It also involves the closer co-ordination of policy interventions aimed at job creation and poverty reduction with longer-term economic development strategies that incorporate the activities of key anchor institutions, including local government, further and higher education, hospitals and the private and civic sectors. This can be promoted by engaging employers and local communities in shaping training, skills development and support services in ways that increase opportunities for local people, and by establishing living wage compacts.

A fourth element concerns the decentralisation of central government functions and agencies from London to the rest of Britain. This issue of public sector dispersal has recurred periodically over recent decades: it would provide a way of addressing regional inequalities, reducing costs and enabling government to connect more readily with the concerns of regions outside London.[29] One of the most prominent recent examples of this kind of approach is the relocation of BBC functions to Salford, which has played a key role in the regeneration of the Salford Quays district. Instigating a new round of public sector dispersal would complement and reinforce the process of political decentralisation outlined above, transferring government employment as well as political and financial powers to economically lagging regions. This should encompass the institutions responsible for science and innovation policy, such as the research councils, which exhibit a long-term bias towards investment in the South East, as well as central government departments and ministries.[30] In view of the limited number of high-value jobs in lagging regions, dispersal must include senior highly-paid posts alongside the more routine 'back office' roles that have been the focus of previous initiatives.

Finally, the alternative multi-level approach to regional development policy outlined here also has implications for the role of central government. One of the major failures of devolution in recent years has been the absence of any corresponding changes to the workings and culture of central government departments. This could be addressed, as highlighted above, as part of a new federal constitutional settlement for the UK. This would entail greater co-operation and sharing of power between central and regional government, with greater representation of the latter in UK-level policy-making. The role of central government would remain crucial in the shaping of overall public service standards and welfare entitlements, and the redistribution of tax revenue, but this would operate alongside a genuine decentralisation of policy formulation and delivery. Another key aspect of the role of central government is the model of national economic growth that it promotes. Here, the alternative approach to regional policy developed in this article requires the abandonment of the neoliberal growth model based on financial services, housing markets and consumption, and a shift towards an industry-based approach that encourages investment in plant, machinery, R&D and skills.[31] Without such a rebalancing of national policy, efforts to promote more and better jobs at the regional scale are likely to be undermined by broader processes of economic change.

To sum up: the manifest limitations of the regional policy frameworks adopted by successive governments point to the need to adopt an alternative approach. The failure of official policy to reduce regional inequalities reflects the limited resources devoted to it relative to the underlying scale of these inequalities, the countervailing influence of other areas of public policy that have tended to favour more prosperous regions, and a series of rather partial understandings of the nature of the regional problem. There is no reason to think that the approach of the present government will fare any better. In response, the progressive approach outlined here is based upon the principles of equity, territorial justice and solidarity. It calls for a radical refashioning of the structure of economic governance, based on a new federal constitution that would provide for a cohesive and balanced process of decentralisation, enabling national and regional governments to adopt inclusive models of development that promote more and better jobs, and target resources at the most disadvantaged areas. While elements of this may seem unrealistic in the current post-Brexit political climate, this only serves all the more to underline the need for fresh and alternative thinking on regional policy, as part of a broader post-neoliberal political strategy for social and economic change.

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Notes

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