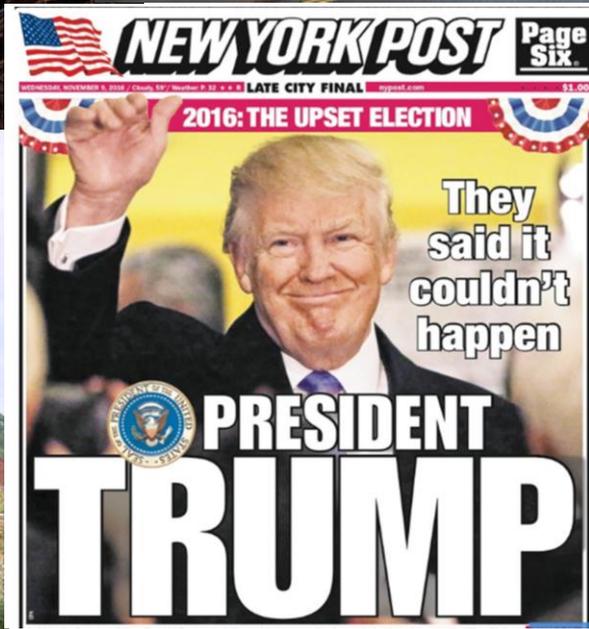
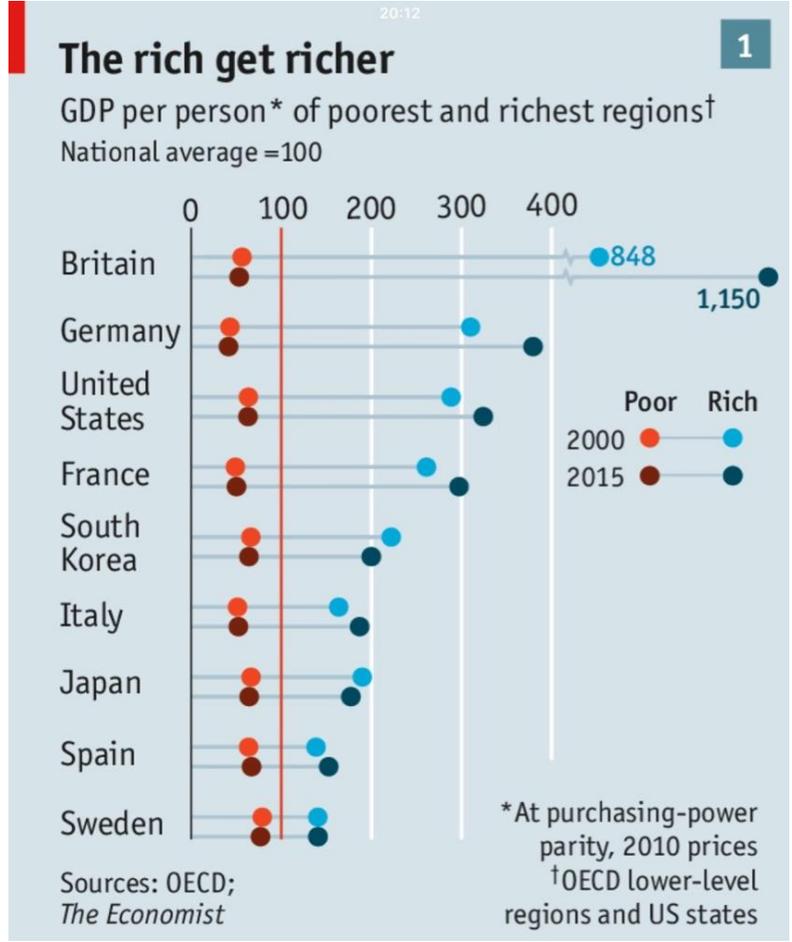
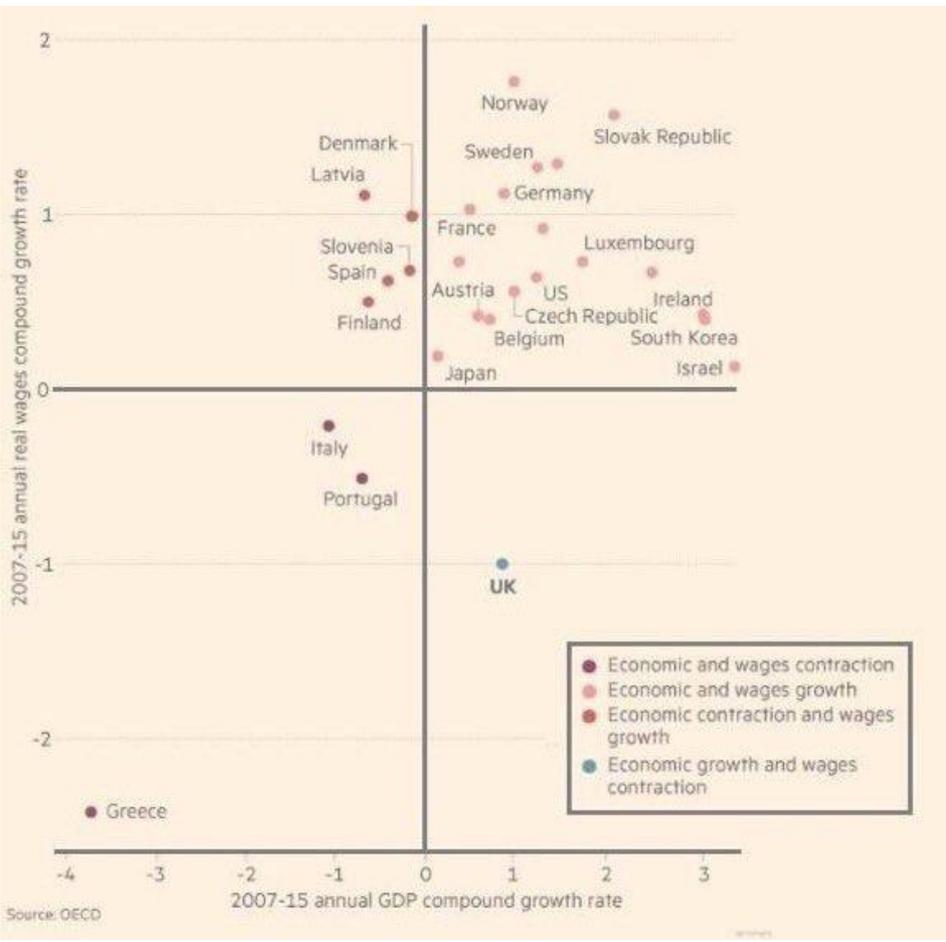


# Rustbelts, Regional Inequality and the Politics of 'Levelling up'



Andy Westwood

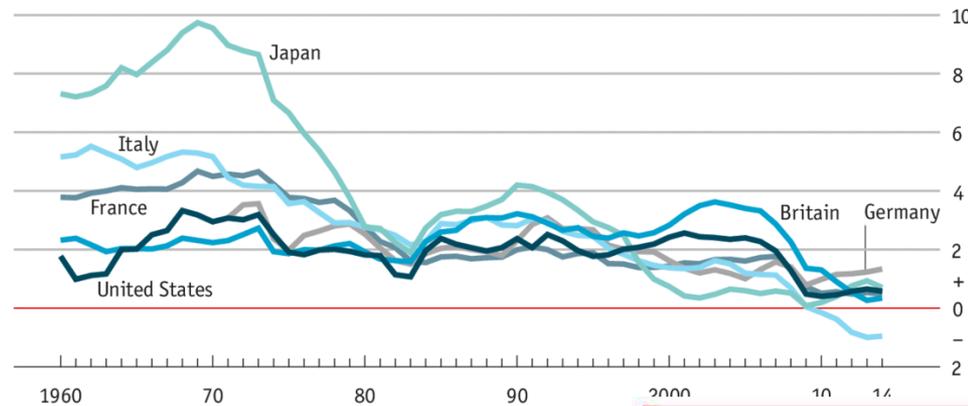
# Falling Incomes and Widening Regional Inequality



# Secular Stagnation, Covid and the Cost of Living Crisis

## Real GDP

% change on a year earlier  
Ten-year moving average

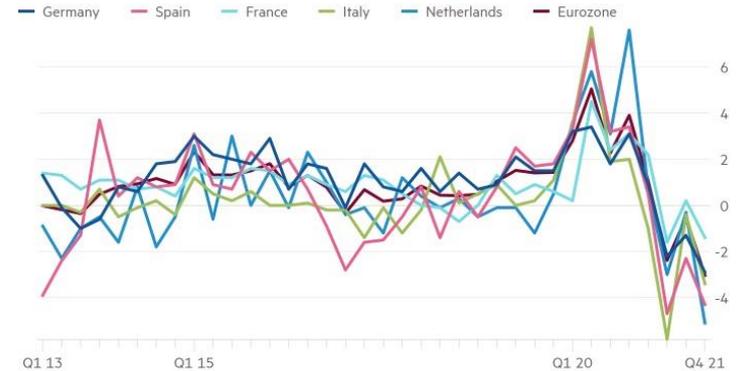


Sources: Penn World Tables; *The Economist*

Economist.com/graphicdetail

## Real wages are falling sharply in the eurozone

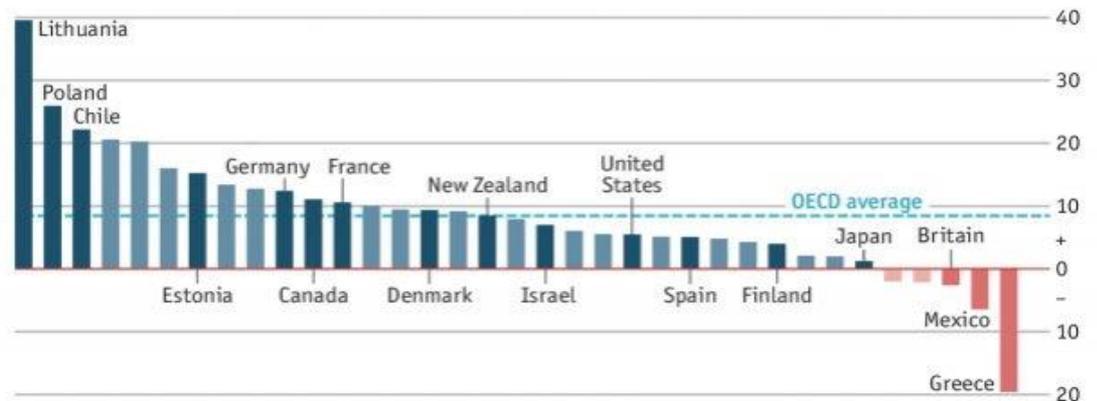
Nominal hourly wages and salaries adjusted for CPI, annual % change



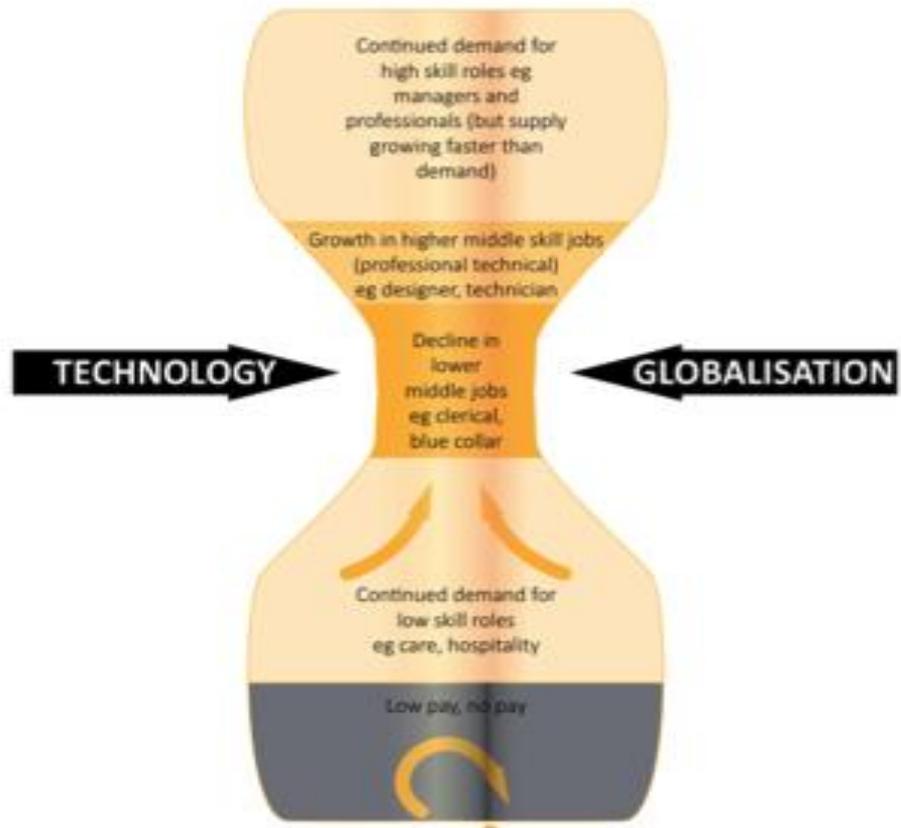
Sources: Eurostat, Refinitiv  
© FT

## Penny-less

Real wages, 2008-17, % change  
OECD countries\*



# Advanced economies already polarizing prior to current crises



# Long term policy problem: regional/local inequality...

UK has higher level of regional inequality than any other large wealthy country

- Analysis shows UK's regional inequality worse than 28 other advanced OECD countries
- Award-winning regional scientist concerned that media proliferates misleading narratives over inequality
- Professor Philip McCann argues devolution and decentralisation will help address causes of Brexit

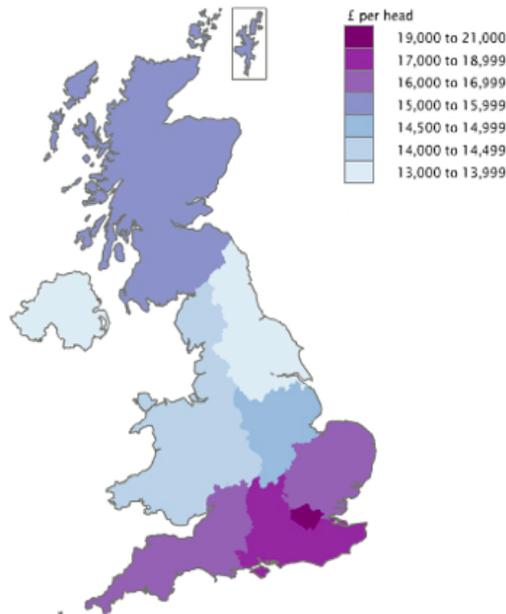


Table 7.1. International comparison of regional inequality

Country (27 in total <sup>a</sup> )	80:20 ratio rank	90:10 ratio rank	Max:min ratio rank	Coefficient of variation rank	Overall rank
UK	4	1	1	1	1
Germany	7	5	2	3	2
France	21	20	3	6	8
US	14	17	4	18	11
Italy	2	9	12	16	12
Netherlands	17	16	11	17	16
Spain	11	18	24	23	20
Sweden	25	26	25	26	26

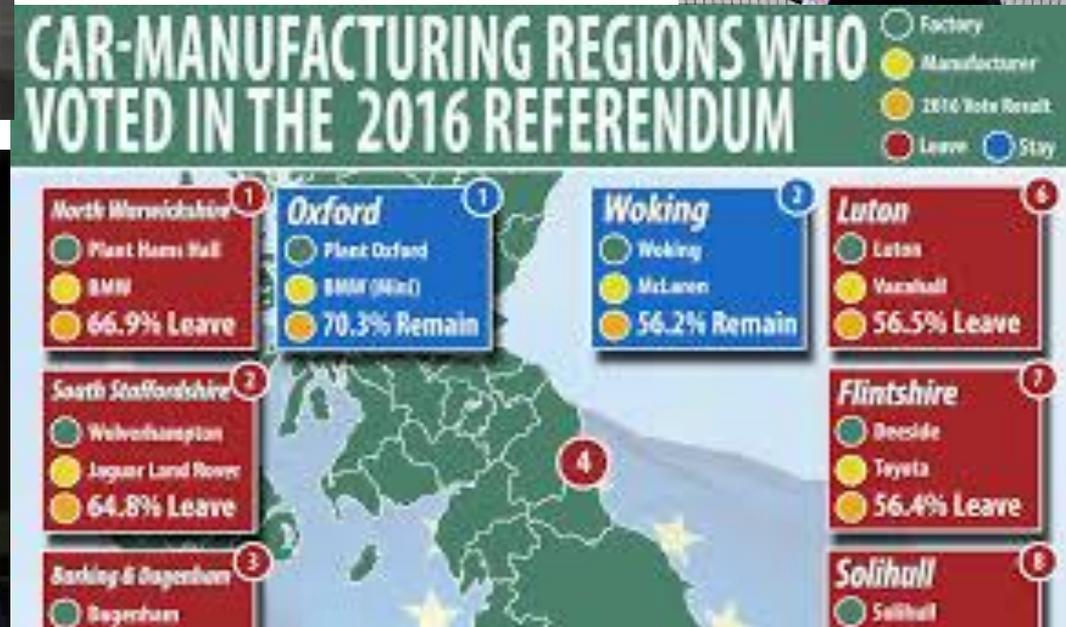
<sup>a</sup> Table 7A.1 in the online appendix shows the ranks for all 27 countries.

Note: Ranks are out of 27. A rank of 1 would indicate the highest level of inequality and a rank of 27 would indicate the least. Overall rank is calculated as the rank of each country's mean ranking across all six of our measures of regional inequality in GDP per capita (the four shown in the table, along with the ratio of the maximum region to the median region, and the ratio of the maximum to the mean region).

Source: Authors' calculations using OECD.Stat regional GDP (accessed 19 August 2020).

*'31 years after German unification, the per capita GDP of the North East of our country, Yorkshire, the East Midlands, Wales and Northern Ireland is now lower than in what was formerly East Germany...'*

# Places 'left behind' decline over many electoral cycles



# The Revenge of Places that Don't Matter?

BROOKINGS



THE AVENUE  
**To counter extreme politics, revive global democracies' Rust Belts**  
Andy Westwood and John C. Austin · Thursday, April 8, 2021



- most negative externality so far has come t
- The places that don't matter have revolted
- Those living in declining areas are attacking prosperity has been based:
    - Open markets (goods, services, labour)
    - Migration
    - Access to the single market
    - Membership of the EU
    - Taxation
    - The effect
- and foremost them
- taxes less welfare
- new government man
- of the re
- and the South Ea



*The problem is territorial: places matter! We need better, not more, not less policy. The welfare of the places that matter depends on the welfare of the places that don't matter.*

**Andrés Rodríguez-Pose**  
Professor of Economic Geography  
London School of Economics, United Kingdom

#SmartSpecialisation

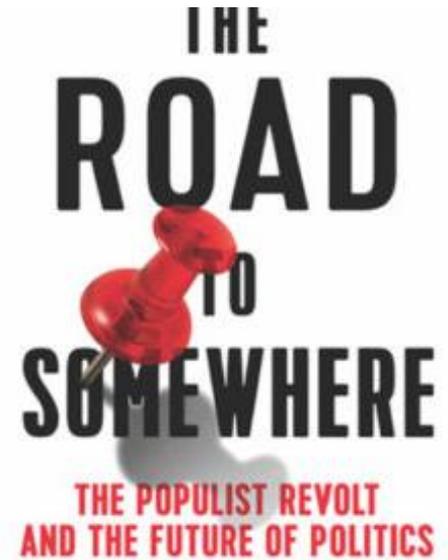
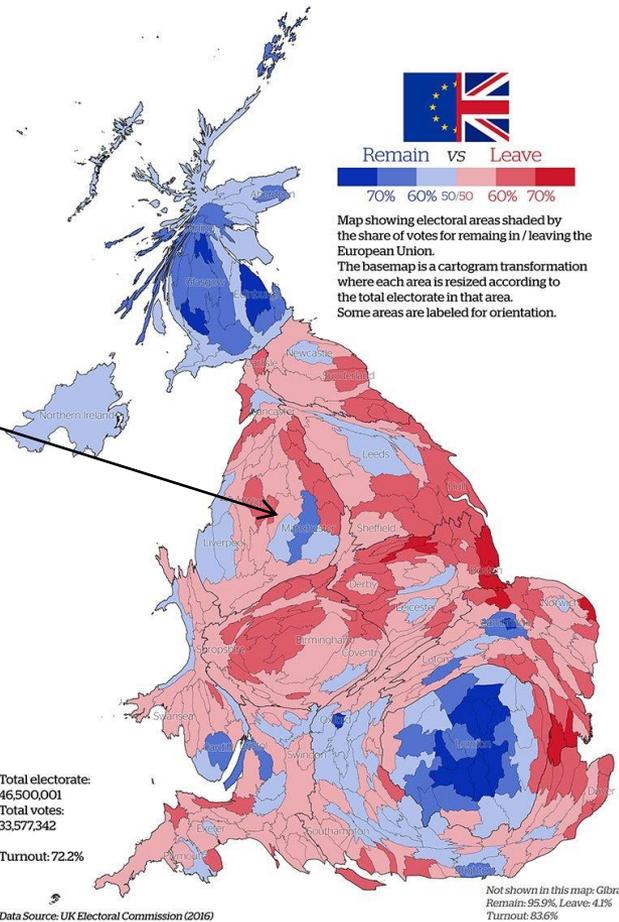


# Brexit: Divided country 'economically and politically?'

EU Referendum  
A Divided Kingdom

Map by Benjamin Hennig  
www.viewsoftheworld.net

Greater  
Manchester  
divided: 7 'Leave'  
3 'Remain'



<b>Referendum on the United Kingdom's membership of the European Union</b>	
Vote only once by putting a cross [X] in the box next to your choice	
Should the United Kingdom remain a member of the European Union or leave the European Union?	
Remain a member of the European Union	<input type="checkbox"/>
Leave the European Union	<input type="checkbox"/>

# What then is the policy response to the rustbelt(s)?

- US economist/ Bien adviser Jared Bernstein: *'The 'Rust Belt demands an answer--but does anyone know what it is?'*
- *'Imaginative work on the future policy landscape is sorely needed which combine sustaining demand in struggling economies with new thinking about the types of combined interventions needed to provide them with at least a chance of longer-term renewal.'* Gavin Kelly, Resolution Foundation
- *'Industrial Strategy should not seek to do everything everywhere but it should seek to do something for everywhere.'* UK Industrial Strategy Commission 2017

# Levelling Up & the 'Six Capitals'

Figure 1 Levelling Up Capitals Framework



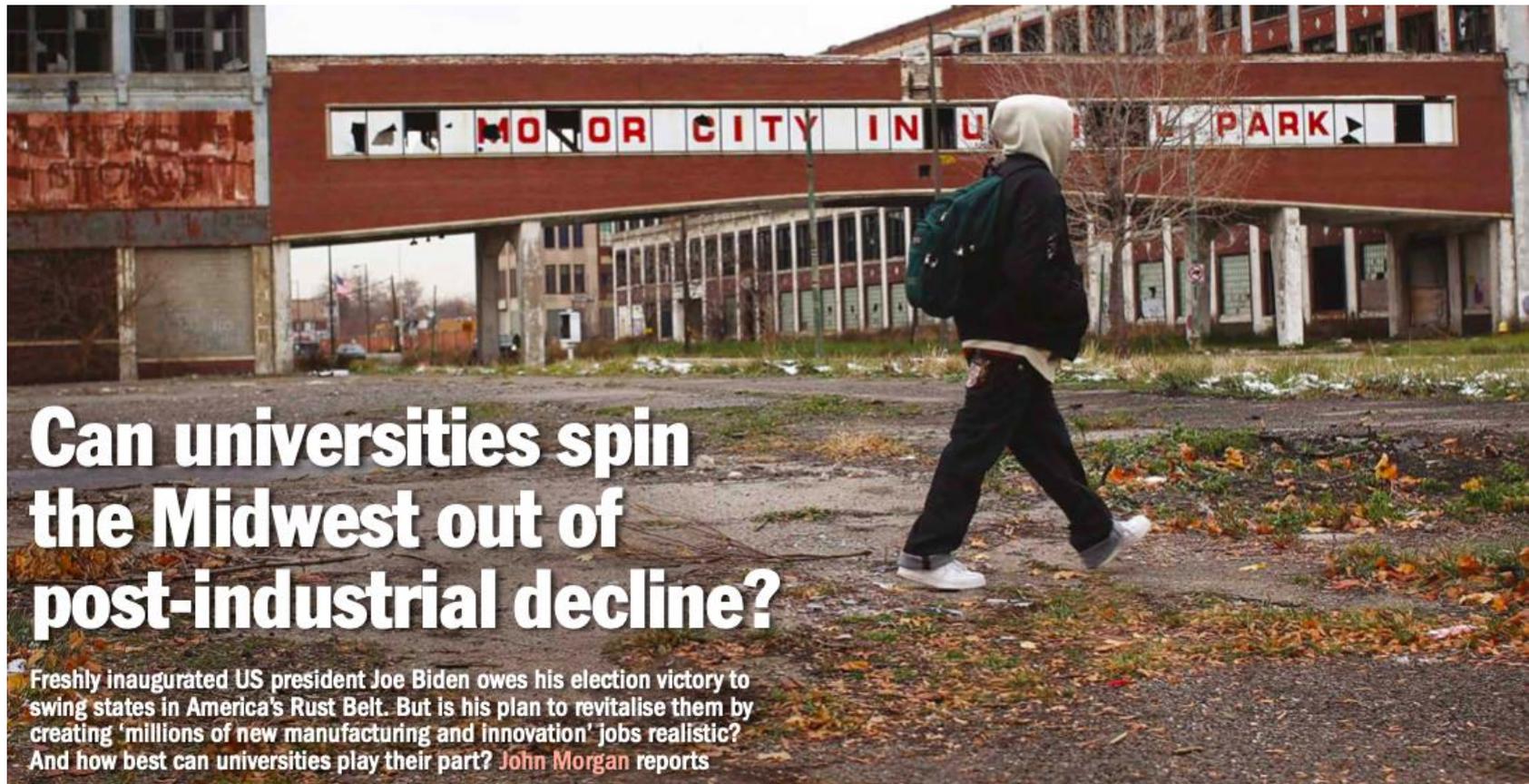
- Financial
- Physical
- Human
- Intangible
- Social
- Institutional



# The importance of institutions – Universities, Skills and R&D

MANCHESTER  
1824

The University of Manchester



## Can universities spin the Midwest out of post-industrial decline?

Freshly inaugurated US president Joe Biden owes his election victory to swing states in America's Rust Belt. But is his plan to revitalise them by creating 'millions of new manufacturing and innovation' jobs realistic? And how best can universities play their part? [John Morgan](#) reports

# The Ruhrgebiet: long term strategy and stable policy framework

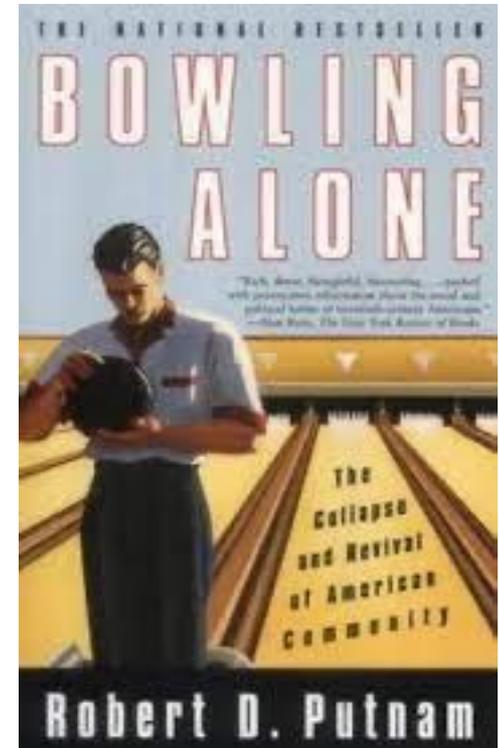
MANCHESTER  
1824

The University of Manchester



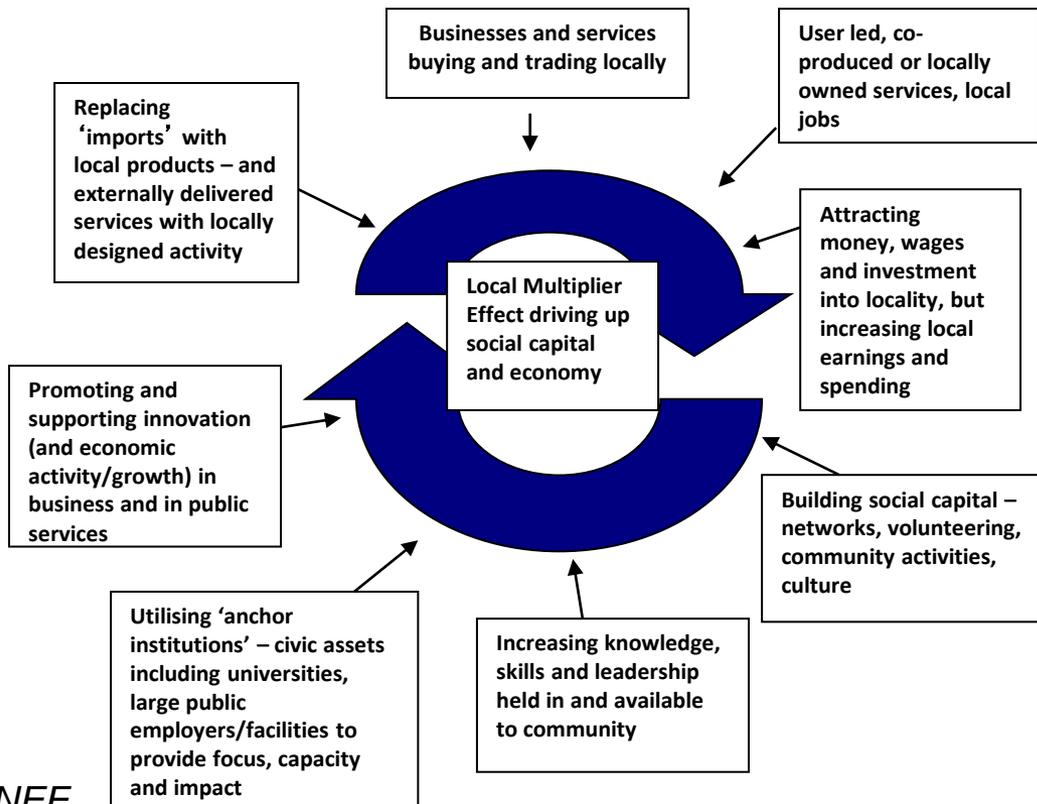
# Social Capital - importance of social fabric and local identity

- Networks, trust – ties that bind together
- Social fabric - places and services
- Anchor institutions: public, private, voluntary
- Chambers of Commerce and business organisations
- Institutions & activities that build civic pride and local identity
- Bonding and Bridging...



# Local Multiplier Effect\*

*‘Locking in’ knowledge, finance, income, resilience, enterprise...*



*\*Adapted from NEF*

# Universal Basic Infrastructure?

- Properly funded and empowered local government
- Minimum standards for public services (health, education, police/emergency etc)
- Connectivity – affordable transport services and connections, broadband access
- Locally led institutional and identity/civic pride strategies
- *A platform or foundation of services/activity on which wealth and a local economy can be built or rebuilt...*

LEVELLING UP

## Policies for places as well as people

In the UK – as in other developed economies – ‘levelling up’ to reduce inequalities between different places has become a key political debate. Reducing these deep-seated inequalities will not be easy. But here Diane Coyle and Andy Westwood discuss two significant new policies that would start to close the gap.



Recent local elections in England – as well as elections in France, Germany and Australia – demonstrate that voters in places ‘left behind’ during decades of industrial and technological change are continuing to express discontent with the resulting large spatial inequalities. As the economic geographer Andrés Rodríguez Pose says in his recent article [‘The Revenge of the Places that Don’t Matter’](#), there are consequences at the ballot box when populist politicians trade on such disconnection and resentment.

# The importance of networks and shared practice

This initiative is a partnership of the **Chicago Council on Global Affairs**, **Georgetown University's BMW Center for German and European Studies**, the **Michigan Economic Center**, **Policy@Manchester** at the University of Manchester, the **Ruhr-Konferenz**, the **Consulate General of the Federal Republic of Germany in Chicago**, and the **Directorate-General for Regional and Urban Policy** of the European Commission.

<https://www.thechicagocouncil.org/research/center-global-cities/research/transforming-industrial-regions-initiative>

