Introduction

Debates on the state of regional inequalities in the UK date back decades. And yet, recent studies have clearly shown that these divides are widening even further, and the UK is now one of the most regionally unequal countries in the developed world (Raikes, Giovannini and Getzel, 2019; UK2070 2020; OECD 2020). The lack of a coherent industrial strategy, together with over-centralisation of power and resources by the government, have played a key role in this negative process (Raikes, 2019; Raikes, Giovannini and Getzel, 2019). And these two are related – unlike in other countries, the UK does not have the devolved institutions needed to develop industrial strategies (Raikes, 2019).

While the effects of these overlapping dynamics are felt across the country, the North of England stands out as an area of particular interest. On the one hand, the North has been faring considerably less well than other parts of the UK in economic terms. On the other, however, the North’s economy is not inherently on a “negative spiral”; it has been held back by over-centralisation and patchy industrial and economic policy, but it also has the assets to reverse such trends and thrive (Raikes, 2019).

It is no coincidence that the North cyclically (re-)emerges as a crucial area in national economic policy and in the debate on rebalancing the economy. The new government’s “levelling up” agenda is just the latest iteration of this process and has put, once again, the North under the spotlight. This time, however, there are also specific political interests at play, as the government owes its parliamentary majority to the fall of the so-called “Red Wall”, and to the votes that many
northern constituencies have “lent” to the Conservatives. And yet, despite much rhetoric, it remains unclear whether and how Boris Johnson’s government will manage to tackle regional inequalities in a way that is sustainable, valuing both tradeable and foundational sectors of the economy, and gives the North the leverage it needs to take control of its own future.

Against this background, the aim of this chapter is to assess the multi-level governance of economic policy in the North. To achieve this, we first offer an overview of the asset base and economic geography of the North of England, and we then shed light on the issues of scale that underpin the debate on industrial policy. After having made the case for a functioning system of multi-level governance to harness the North’s potential, we discuss how different tiers could work together, and how new governance structures could be made democratically legitimate – tapping also into issues of identity in the North. Finally, we look at devolution as a key policy to unlock the North’s potential, especially in the context of the new government’s Northern Powerhouse and “levelling up” agendas.

Northern economic potential

For the UK, economic policy has long been a centralised affair. While the term “industrial strategy” has fallen in and out of favour, all governments have supported different industries in various ways; deliberately or accidentally, directly or indirectly (Jacobs et al., 2017). They have done so in powerful ways with tools such as regulation and subsidy, and in sectors ranging from life sciences and automotive industries to, most notably, the City of London’s finance sector. They have also supported industries in a broader sense, with “horizontal” measures such as skills and transport.

There are some important examples of local industrial strategies and innovative interventions. Manchester City Council’s recent acquisition of shares in the genomics firm Quiagen should remind us of the capacity of local government to be highly entrepreneurial and forward thinking (MCC, 2018). And legally, local government is not prohibited from drawing up industrial strategies,
purchasing shares in major companies or supporting them in a number of other ways; most notably with local infrastructure. However, in practice, they rarely have the fiscal headroom to do so, especially since the austerity programme, which has been overwhelmingly loaded onto local government, while central government capacity has actually risen (Raikes, 2020). Both centralised power and centralised capacity have therefore created a situation whereby the economy of the North and of its constituent city-regions and counties has been almost entirely managed remotely from London.

Too often, from the capital, the North’s economy has been framed negatively. Historically, it has frequently been dismissed by Westminster as beyond help, “desolate” or worthy only for “managed decline” (Raikes, 2019). More recently, with the rise of the Northern Powerhouse agenda, politicians and academics have sought to frame the North in the same terms as London, explicitly seeking to turn Greater Manchester into a “London of the North” and, through transport connectivity, to make the North’s city-regions essentially function as if they are one mega-city, in order to benefit from the agglomeration effects of density and scale (Osborne, 2014). Both of these conceptions fundamentally misunderstand the North.

First, in terms of scale, the North is certainly too big to fail – and too big to leave underperforming too, with an economy of £361 billion in GVA – larger than the devolved nations’ economies combined and, if it were a country, it would be the eighth largest in the EU (ONS 2019; Raikes et al. 2018). Second, it has the advantage of diversity in its economic geography: it has five major city regions, 265 towns and almost 1,000 villages and smaller communities, four national parks, six areas of outstanding natural beauty and more than 60 National Nature Reserves. Its asset base is varied: it has 8 major ports and 29 universities and, in Manchester, the UK’s largest airport outside of the South East. Industrial composition also varies dramatically within the North – in Leeds City Region and Greater Manchester, we find metropolitan areas which are as economically diverse as London, while in Lancashire and Tees Valley we have urban towns that specialise in high-tech
manufacturing. Finally, the North has the “morphology” of a polycentric region; i.e. it doesn’t have one major centre (as London is to the greater South East) but has several economic concentrations, none of which is predominant (IPPR North and the NEFC, 2012; Cox and Longlands, 2016; Seymour, 2017; Champion and Coombes, 2012).

The theory that the North needs better transport connectivity to enjoy London-style agglomeration benefits is appealingly simple, but it is highly reductive and misleading. Economic geography is somewhat more complex than agglomeration theories imply, and cities simply do not grow more than other areas; often the opposite is the case (Dijkstra et al. 2013; Dijkstra et al. 2015; ONS 2017). Furthermore, most of the capabilities in which the North specialises are exactly those which do not experience the economies of agglomeration. For example, while the digital sector, in which many parts of the North specialise, can benefit from the density and scale of major city-regions, the advanced manufacturing, health innovation and energy sectors all require different things – often space – in order to grow (Gibbons et al 2009 via Frontier Economics 2016). This framing also tends to underplay the importance of foundational industries in the North, which, while exempt from competition and “less mobile” (see Tomaney and Pike in this volume), are still a critical part of the economic fabric of many areas in the region.

Moreover, the idea that London’s economy is something the North should seek to replicate must be challenged. Our capital might be more productive than the rest of the UK, but it creates jobs in exclusive occupations and extractive rentiers dominate, wellbeing is low and anxiety is high, air quality is poor and house prices are astronomical, and it has the highest rates of poverty and inequality in the country (Raikes, 2020).

The North should not seek to mimic London; it must “do things differently” and, indeed, do things much better. Its great opportunity is to develop more of a polycentric economy so that each part of the whole can contribute something unique. The sub-regions within the North already “trade” with each other to an extent; business services firms are concentrating in Greater Manchester and
Leeds City Region but serve the business community of the rest of the North too (Thissen et al., 2013; OLS, 2018; Raikes and Cox, 2016). And health innovation and advanced manufacturing processes occurring in Lancashire and Cheshire often have strong relationships with the universities and related activities in Liverpool and Manchester (Raikes, 2016). But the North’s polycentric morphology has not yet fully translated into either industrial or functional polycentricity and therein lies its economic potential (Seymour, 2017). While some argue that the North is too economically diverse to work together, in fact it is this very diversity that is its strength. This is a point which national policy makers often miss, but local and regional policy makers tend to understand very well. For example, a recent Transport for the North report presents an analytical understanding of the North’s diverse “clusters” intended to shape pan-northern cooperation (TfN, 2019).

The future development of the North therefore is not in trying to create an economically homogenous mass so that agglomeration benefits (and costs) can develop. It is to support the specialisation of its constituent parts, by better enabling the flows of people, goods, services and knowledge between them, whilst also safeguarding the “everyday economy”, so that the North can sustain high productivity and high job creation with a good quality of life and lower living costs. In order to achieve this, however, the North will need much stronger multi-level governance than it currently has; or indeed than is being proposed by any of the major political parties.

**Industrial strategy, economic policy and multi-level governance**

The lack of any coherent sub-national industrial strategy holds back the North and is matched by the absence of a consistent system of sub-national governance structures.

But this seems to be a very British issue. Examples from other European countries clearly show both the link between a functioning system of sub-national governance structures and a working industrial strategy, and the economic benefits that can stem from this. As Raikes (2019)
notes, there are many regions in Europe\(^1\) that are similar to the North – and yet outperform it in economic terms. These areas hold clear economic and political powers, and operate within a federal or regionalized state model. In practice, they have a high degree of autonomy and decision-making powers, and can set their own industrial strategy and economic policy within the broad framework set by the state. In this way, they have been able to manage economic transitions more effectively, developing industrial and economic policies that are tailored around the needs and assets of their specific regional context (Raikes, 2019).

North Rhine-Westphalia (NRW) is a case in point. This is a region that shares many socio-economic features with the North of England and, like the North, underwent a profound crisis of its industrial base. And yet, NRW was able to respond to industrial change more effectively than the North, as it had the power to do so using a place-based, gradual approach (Raikes, 2019; Bross and Walter, 2000). Collaboration, clarity over relationships between different tiers of government (from national to local), and the long-term planning ability that comes from this are also key.

In the UK, quite the opposite has happened. The convoluted way in which both economic policy and devolution strategies have overlapped and evolved over time have impacted negatively on regions like the North. In recent decades we have seen a process of constant institutional churn; this has added complexity to, but failed to address in a comprehensive manner, issues of regional inequalities (Rodriguez-Pose, 2018; Jones, 2019) whilst also making sub-national governance “ungovernable” (Headlam, 2020).

Scale is part and parcel of the problem. On the one hand, across England multiple and often overlapping geographies have emerged at sub-national level. On the other, within the North, broader overarching economic narratives and policy agendas, such as the Northern Powerhouse, do not map onto governance institutions and are loosely linked to the patchy architecture of disparate devolution

\(^1\) For a detailed account of cases studies across Europe, including Germany, France, Italy and Finland, see Raikes (2019: 24-28).
deals and pan-northern bodies. This is fostering competition between and across different tiers, as well as confusion over roles, responsibilities and democratic legitimacy, thus getting in the way of a coherent industrial strategy and economic policy.

Whilst there is no silver bullet to address decades of dysfunctional sub-national governance and economic policy, there remains an opportunity to improve scalar approaches to industrial policy. This involves enhancing cooperation between actors and tiers, building on “place specific” strengths in innovation systems, focusing on long term “jointly owned” strategies and good sub-national governance (Raikes, 2019:18).

In the UK, any such process should seek to give all tiers of government the levers they need to take action at the most appropriate scale. Evidence shows that policies are more effective when exercised at the level of governance that most closely matches the geography to which it applies (Raikes, 2019). Thus, functional economic geographies matter, and travel-to-work areas directly linked to the functioning of specific labour markets provide an important starting point for policy. As such, city-regions and counties should provide the foundations for sub-national economic policy and industrial strategy (Raikes, 2019). This is already the approximate geography of many combined authorities and LEPs, devolution deals and industrial strategies.

But there is also an issue of scale consistency. In the North (as in much of England), only a few city-region CAs have devo deals in place, and their powers and geography vary hugely: Greater Manchester CA, which is based on a clear functional economic geography, has a long institutional history and legacy and holds power over a wider range of policy areas than most of its counterparts (Lowndes and Lempriere, 2018); North of Tyne CA, on the other hand, builds on a contentious geography that does not map onto any coherent functional economic area, and has a very limited range of powers. Beyond this, many areas, including rural and coastal ones, have been simply left out
of the “devolution game”, most notably in Yorkshire\(^2\), thus excluding large and important swathes of the North (Giovannini, 2018).

Whilst most areas of policy would be better delivered at the local level, others are both “too big” for local industrial strategies and “too small” for national ones (Raikes, 2019). Subsidiarity should be the driver of economic policy in the context of tackling persisting regional inequalities, but some economic strategies are better exercised and/or coordinated at a larger regional scale (Raikes 2020; UK2070, 2020). In other countries there are regional tiers that cater for these, but in the UK the regional scale is still under-developed. In the North, it is striking that while the government recognizes the importance of “large regions” in its Northern Powerhouse agenda, in effect there are currently no institutions at this scale that can take the lead on economic policy, although organisations such as Transport for the North (TFN), the NP11 and Convention of the North try to fill this space (McCann, 2016). Transport for the North took an early lead in developing the evidence base and strategy for the North’s economy, in its 2016 Northern Powerhouse Independent Economic Review (SQW and TFN, 2016). The NP11 and civic leaders of the North all share the same understanding and overarching aims, as sketched out in the Manifesto for the North (NP11, 2019). Currently, however, they have neither the funding nor the power to undertake the necessary tasks at the pan-northern level, beyond transport and broader economic cooperation (Raikes, 2019).

As such, developing a northern industrial strategy would help to realise the North’s economic potential. First, it would set out the long-term missions and vision for the North that is required to increase productivity, resilience, economic justice and sustainability. This would allow the North to pursue a form of growth that is truly inclusive, which, for example, places emphasis on innovation and advanced manufacturing, whilst also securing the foundational economy. Second, it would foster a coordinated approach to strategic policy areas informing interventions across the North; thus also

\(^2\) A West Yorkshire Devolution Deal was announced in the March 2020 budget. Whilst this is a positive development, once again this deals involves a metropolitan area.
helping to promote the North’s strengths by focusing on its prime capabilities and economic assets as well as the everyday sectors of the economy, influencing and coordinating activities across all tiers. Third, a Northern industrial strategy should be collaborative and inclusive, and driven by the principles of subsidiarity and flexibility. Thus, decisions on what should be done at the northern tier should be based on evidence of where working at that scale adds value. The sub-regional scale would remain the building block of industrial strategy and no power should be taken away from local and combined authorities. Fourth, it could build on the capacity developed by pan-northern bodies that are already in place, such as Transport for the North’s Strategic Plan. Finally, the pan-northern tier could facilitate collaboration within the region (e.g. aligning Local Industrial Strategies), but also across regions (e.g. on strategic areas of policy where joint action is needed beyond regional boundaries). To achieve this, and build clear lines of accountability and responsibility, a Northern industrial strategy should be co-produced by Northern local leaders (who, as elected representatives, should lead the process), existing strategic bodies such as TfN and NP11, and central government (for a full discussion, see Raikes, 2019).

This could also help mobilise another asset that is unique to the North: its identity. The North of England is, perhaps with the exception of Cornwall, the only area of the country with a strong sense of regional identity (Willett and Giovannini, 2014), which spans across the North but also builds on an important local dimension (Giovannini, 2016; Easton, 2018). A Northern industrial strategy that reflects the significance of the local level could draw on and benefit from the legitimacy that stems from this. However, to be effective, this would need to go in parallel with a full commitment to a comprehensive programme of devolution.

**Why devolution matters**

A devolved system of governance, that is more inclusive and consistent in its process and practice, is directly linked to the development of better economic policy. Surely, devolution is not a panacea
against all the socio-economic problems that cut across the country, but it could provide real opportunities to tackle inequalities in a more effective way.

Yet, to realise this there is a need to rethink the current approach to devolution, and link it firmly with a place-based industrial policy. To some extent, the current Local Industrial Strategies have sought to address this, and yet, these have not been the transformative plans they need to be. This is largely because they haven’t been followed up with the power and funding required, although it is also fair to say that some of these strategies aren’t as distinctive as they need to be. As such, moving towards an industrial policy with a place-based approach at its heart should go hand-in-hand with increased devolution, so as to bring decision making on economic policy closer to localities and away from a centre that has recurrently failed to grasp local visions and potential. This would require a reformed process of devolution that is pragmatic and inclusive; respecting local government’s important role and the validity of local identities, and seeing these as assets rather than obstacles (Raikes and Giovannini, 2019). But central government must take a bold approach, making devolution a priority for the duration of its mandate (Raikes, 2020).

We have set out elsewhere how this process should unfold (see Raikes, 2020; Raikes and Giovannini, 2019). However, it is important to explain some basic economic policy aspects that would underpin it. First, after years of tinkering, a Devolution Framework must be produced, setting the powers and the process of transferring them, making these available to all areas but at their own pace. Local government should be included in the process that will lead to this, and it should be an equal partner throughout.

As the case of the North shows, there is a set of economic powers that should be considered for devolution to sub-regional governments for the purposes of regional economic prosperity. There is a reasonably strong consensus about the powers that should be devolved to this tier, including transport, skills, education, employment support and housing (Raikes, 2019; UK2070, 2020).
But, as discussed, the North’s economy is diverse and, whilst it has many strengths, the region also encompasses places that have been dubbed as “left behind”. Low-skilled, low-paid and precarious labour tend to prevail in these areas. The agglomeration dogmas dominating Westminster economic policy thinking often tend to overlook the sectors these jobs are found in and the role they play for local communities, failing to acknowledge that, whilst desirable, high-skill/high-tech jobs are only a part of the economy of the North. For example, looking at the private sector element of the foundational economy, 1.6 million people in the North – 22.3 per cent of the workforce – work in sectors such as accommodation and food service activities or wholesale and retail (Raikes et al., 2018). Devolution would help to tackle this, allowing the North to develop an approach to regional and industrial policy that is truly place-based and, unlike current approaches, encompasses both the “tradeable” and the “foundational” aspects of its economy. This would, in turn, pave the way to a more effective inclusive growth strategy for the North.

There are certain strategic areas of policy which are “too large” for sub-regions, but “too small” for central government and should therefore be passed to the regional tier. The most prominent example of this is developing major pan-northern railway infrastructure – as is currently taking shape in the form of Transport for the North – but policies for trade and investment, innovation and supply chain collaboration can also be exercised at this tier, alongside more general collaboration (Raikes, 2019). The exact geography of the regional tier in other parts of England can be contentious (see Raikes, 2020), but it would make sense for the North, and could be rolled out with some flexibility across the country.

These powers must be underpinned by a system of fiscal devolution and redistribution. This must be based on solid progressive principles, instead of the misplaced “driving growth” narrative which currently dominates business rate devolution (see Sandford, 2017). Instead, fiscal devolution could offer the protection local government needs from being used by central government to deliver austerity, as it has since 2010 with a huge impact on areas like the North, while enabling local “tax
and spend” political economies to develop in a way that isn’t possible nationally. In practice, the shape of the fiscal settlement could learn from what is already in operation with regard to the devolved nations: taking what works about the Barnett formula and tax devolution in Scotland and Wales, and seeing what works in other countries, notably Germany. None of these examples are perfect, but they do offer solutions to many common problems. The North could then be a geography within which some redistribution occurs; it would bring together places that are net contributors of tax and spend with places which are net recipients, without Whitehall’s involvement. However, there will still need to be significant redistribution across all of England. Finally, progress must be irreversible, with reforms to central government that ensure devolution cannot be rolled back, and local and regional representation must be able to support centralised economic policy too.

While this must be an England-wide programme, the North is ideally placed to lead the way. Not only does the North have an economy with vast untapped potential, it has also pioneered devolution in recent years. More than half the North’s population is now governed by a new metro mayor; this will rise to 62 per cent when West Yorkshire elects a mayor in 2021. The North has also formally come together as Transport for the North, the Convention of the North and the NP11. These are organisations that must be built on and developed. This radical change, however, does require a full commitment from central government.

**Conclusion: prospects and challenges in the current scenario**

The election of a new government in December 2019 has coincided with a renewed focus on the North. This is epitomised by the priority given by Johnson and his cabinet to “levelling up”, as well as in the PM’s vow to northern England that he would “do devolution properly” (Pickard *et al.*, 2019). In principle, these developments are promising and could lead to the realisation of the process of devolution outlined above, opening the way, in turn, for a place-based sub-national industrial policy that would benefit the North as well as the rest of the country.
And yet, recent analysis warns that while strong on rhetoric, this agenda could amount to a modest twist on existing policies rather than anything notably new (Tomaney and Pike, 2020: 3). The March 2020 budget was generous in capital spending, but this is not by itself sufficient to achieve “levelling up”. Regional inequalities in the UK are so deeply rooted that “having fundamental effects on them will require allocating capital spending, and a whole lot more — investment in skills, in health, in early years, and a coherent and long-term industrial strategy” (Johnson, 2020). And this is simply not there. To the same end, the budget should have also signalled a thorough commitment to devolution. And yet, beyond the new devo deal for West Yorkshire, very little information was provided as to how the government plans to develop this agenda, and there has been little discussion of the devolution white paper – promised in the Conservative manifesto – which should include the much-awaited Devolution Framework.

Ultimately, any serious attempt at “levelling up” the country would require a radical devolution of power and resources alongside the rebuilding of local government which has been eviscerated by austerity (Tomaney and Pike, 2020: 4). This is particularly true in the North, where untapped assets and identity could play a key role in bringing to life a coherent system of sub-national governance; and, with it, (re-)design economic policy and build trust from the bottom up. And yet, as Tomaney and Pike (2020: 4) aptly note, “it is difficult to avoid the gravamen that policy is being driven, rather nakedly, by political calculation rather than a real concern to address longstanding problems”.

As such, cynics might argue that the government will not go far enough. As the North is again at the centre of political attention, pressure for action must therefore come from the bottom up; and the North has the potential to be at the forefront of this process. Leaders across the North have already started to be more vocal, and they should unite to push for the long-term solutions that are needed to see appropriate power and resources finally relinquished from the centre.
The recent Covid-19 outbreak has brought additional urgency to this question. Whilst at the time of writing it is too early to assess the effects that the pandemic will have on devolution and economic policy agendas, so far the government has almost instinctively entered into “top-down command and control” mode, recentralising all decision-making without making any use of, and often snubbing, sub-national governance structures in England and imposing further cuts and burdens on local government. This, however, has prompted leaders, and in particular metro mayors, in the North to come together challenging the centre, refusing to implement “nation-wide” policy responses and demanding more powers, appropriate funding and a seat at the table when policy is being decided, to ensure that all localities across the North can respond to the crisis in the best possible way.

The Covid-19 pandemic will no doubt leave a profound mark on the country’s and the North’s economy and society, but it could also work as a critical juncture that, by vividly exposing the limits of political and economic over-centralisation, could pave the way towards a reset moment in central-local relations. Building for recovery cannot mean returning to a status quo which was already in crisis. It will require a spirit of institutional (re-)invention and renewal with “place” and local communities at its heart.
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