

5 Provocations regarding the UK Regional and Urban Development Challenges in a Post-Brexit Environment – for Discussion by the Common Futures Network:

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The five provocations below are meant to stimulate discussion and to encourage participants to think about the long-term aspects of UK regional development. They do not reflect either the entirety or the specific nuances of my views or understanding of these complex issues (which are articulated in my many academic and policy publications), and nor are they meant to reflect the position of the Common Futures Network. They are intended only as provocations for debate.

Provocation 1: Brexit will Make the UK Interregional Imbalances Worse

A very powerful Leave narrative at the time of the UK Referendum of 26th June 2016 was the idea that the ‘metropolitan elites’ of London were the major beneficiaries of the EU membership, while the majority of the population did not benefit from EU membership. Yet, this argument is empirically wrong. The UK regions which voted Leave tended to be more dependent on EU Markets for their prosperity than those regions which voted remain (Los et al. 2017). Moreover, if we expand this analysis and consider all of the Brexit trade-related risk exposure of each UK region - including all UK-EU global value-chains connected to third countries - we still see that that this same broad pattern is evident (Chen et al. 2018). The regions which voted Leave tend to be more exposed to Brexit trade-related risks than the regions which voted Remain. In contrast, the wealthier Remain-voting regions of the UK in and around the London economy as well as in Scotland, are both less dependent on EU markets for their prosperity and are also less exposed to wider Brexit trade-related risks, than the economically weaker Leave-voting regions.

All parts of the UK economy are likely to adversely affected by Brexit, but the adverse effects are likely to be much harsher in those economically weaker regions with a more limited ability to adjust to the shocks. The result will be greater interregional imbalances.

Provocation 2: Brexit will lead to a less effective and a more centralised approach to UK regional development policy.

Brexit is dominating, and potentially overwhelming, all current government thinking and activities, and this situation is likely to continue to prevail for several years into the future. Controlling and coordinating government activities in such a complex and uncertain environment (in which the UK’s fiscal balances are also likely to deteriorate) naturally leads government to try to centralise and control all government activities and initiatives as far as possible ‘in house’. This tendency is all the stronger in an already highly centralised state such as the UK because there are few, if any, countervailing institutions, especially in England. The problem is that these centralising Brexit-related governance pressures go against the decentralizing devolution agenda being encouraged by government. These conflicting pressures militate against any real clarity or effectiveness in policy-making, because the possibilities for genuinely structured thinking about UK regional and urban policy (as opposed to thinking which is primarily driven by political considerations) become very limited indeed. This all the more problematic, because regional development policy in the UK has been dominated

by the logic and architecture of EU Cohesion Policy for the last three decades. These opposing governance tendencies, along with a desire to diverge from EU-related systems and structures, will make it much harder to design and implement a serious and workable post-Brexit UK regional development framework.

Provocation 3: Is the industrial strategy's overwhelming focus on promoting particular sectors, due to a lack of clarity on the part of city-regions regarding their roles and missions?

The place-based dimensions of UK Industrial Policy - including the need for new meso-level institutions and the increasing priority to devolve industrial policy decisions to a more local level – all of which were clearly articulated in the Green Paper (*Building our Industrial Strategy*, January 2017), have been significantly watered down in the subsequent White Paper (*Industrial Strategy: Building a Britain Fit for the Future*), while 'big science' themes have come much more to the fore. In simple raw terms the share of discussion and analysis of place-based perspectives and dimensions fell from just under 15% in the Green Paper to less than 10% in the White Paper. Moreover the discussions about the need for new place-based institutions to better link Industrial Policy to regional development which was being developed in the Green Paper has almost entirely disappeared. The thinking about industrial strategy has moved markedly toward promoting particular sectors, 'Big Science' and R&D, and shied away from asking why knowledge flows and knowledge diffusion within the UK are so limited in comparison to most other countries. To what extent is this shift due to pressure and lobbying from strong sectoral interests or due to a lack of clarity on the part of city-regions regarding their roles and missions?

Provocation 4: Are LEPs suitable for addressing, or responding to the future economic development challenges facing the UK.?

Most LEPs are entirely unsuitable for addressing, or responding to, the future economic development challenges facing the UK. Those LEPs which can play a realistic and meaningful role in fostering local development are able to do so largely because of the places in which they happen to find themselves, and not because of the fact that they as LEPs are the well-designed institutions to play such a role. Those LEPs which are in city-regions which are either already prosperous or are already coordinating well in governance terms will be able to make some positive contributions to local development activities, although the scale of the LEPs' budgets and institutional capacity means that these contributions will always be secondary and in many cases entirely marginal. In cases where the local economy is weak and where local government coordination is difficult, the local LEPs will be largely redundant. These issues will be particularly marked in many smaller towns and also coastal towns, especially outside of the London hinterland regions. In general small towns tend to be relatively prosperous in the South and South East of England whereas in the Midlands and North of England many small towns are struggling. LEPs will be largely powerless to respond to their needs, and the industrial strategy, and yet the removal of discussions about new coordinating institutions means that the situation will remain largely unchanged. In particular, the current governance set-up does not encourage or facilitate coordination or cooperation between economically stronger and economically weaker places, except in a few very restrictive contexts.

Provocation 5: Many of the Advantages of EU Cohesion Policy will be Lost

The biggest advantage of EU Cohesion Policy as a policy programme with specific policy instruments was that it explicitly targeted weaker regions with long-term investment commitments that were largely independent of the politics of the UK national government which happened to be in power at any one time or of the lobbying power of particular industrial sectors. Leaving the EU will not only again domesticate regional policy (or rather the remnants of it) but it will also almost immediately re-politicise it, making long-term commitments all the more difficult as successive government will have an incentive to abolish what went on before (as with the dissolution of the RDAs and the Government offices for the Regions). In a highly centralized and top-down governance system such as the UK the temptation to do this is very strong. Moreover, the fact that the institutional aspects of place-based issues have already largely disappeared from the Industrial Policy White Paper suggests that this process has already started. This will make the taking of long-term decisions and the establishment of long-term policy commitments – which are essential for any possibility of regional rebalancing - much more difficult. It will also make it easier for central government to abolish, undermine or dissolve regional policy entirely, if it so wishes, even under the guise of promoting cities. The *national* need for institutional reform aimed at devolution and local capacity-building will be subsumed by the perceived national control needs of central government.