

## *Focus article*

# Levelling Up through private sector ‘wealth creation’: some thoughts on the neglect of alternative approaches

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## Introduction

The Levelling Up White Paper (LUWP) promises to tackle some of the deep, enduring and widening social and geographical inequalities that have emerged in the UK in recent decades. A lengthy and, at times, meandering analysis attributes the divergent spatial fortunes of places to the presence or absence of ‘six capitals’ - physical, human, intangible, financial, social and institutional - seen to be mutually reinforcing in both a ‘virtuous’ and ‘vicious’ sense. So-called ‘left behind’ places are those which have experienced “*depletions or deficiencies in any one of the capitals in a self-enforcing, vicious spiral of low income and weak growth*” (HM Government, 2022: 50). For example, a lack of skilled workers (human capital) can limit investment and innovation (intangible capital) as well as pride in places (social capital).

Seen through this lens, reducing the scale of geographic divides across the UK is understood as a need to restore depleted forms of capital in left behind areas to redress market failure. In theory, the ‘six capitals’ framework represents something of an intellectual and strategic departure from growth policies since 2010, not least in terms of requiring interventions across a wide range of policy domains including health, housing and crime, as well as a greater role for the public sector. Yet despite advocating a ‘new model’ the LUWP often reverts to familiar terrain by lionising the private sector’s role as the generator of value, with levelling up requiring:

*“a new model of economic growth, public and private investment, a business friendly environment, incentives for inward investment and a high skill, high wage labour market...That means supporting the private sector – the **real engine of wealth creation**” (HM Government, 2022: xx, emphasis added).*

One consequence of this emphasis is to side-line legitimate concerns with the nature of private sector growth and its potentially uneven distributional consequences, particularly where driven by extractive and exploitative corporate business practices. For example, Mazzucato (2019) reminds us that a narrow focus on private sector wealth creation as 'value' ignores negative externalities (e.g., pollution); devalues non-productive systems (e.g., informal care, biodiversity); enables wealth extraction (e.g., rentier activities in the financial sector) to pass as wealth creation; undervalues the supposedly 'unproductive' state and its critical role in driving innovation and growth; and generates inequality across society and places.

Work by the Foundational Economy Collective (2022) also highlights the way in which private markets in the UK for essential public goods and services such as food, utilities and transport extract value through financial engineering (e.g., share buybacks) and levered power (e.g., large supermarkets' ability to squeeze the margins of suppliers). The point here is not deny the potential role of the private sector in generating growth that can reduce geographical inequalities. Rather, it is to argue the need to foreground debates around the *forms* of growth and corporate practices most likely to generate more socially, economically and ecologically just outcomes. The current political instability within the UK may mean the future of the levelling up agenda is highly uncertain but questions around the nature of growth remain essential to addressing longstanding divides.

The remainder of this paper contends that the LUWP's focus on private sector-led wealth creation represents an orthodox policy approach to economic development that sidelines well-established critiques of growth maximisation policies for contributing to social and spatial inequalities or environmental harms. It ignores an increasing array of 'beyond GDP' alternative frameworks for economic development that raise fundamental questions about how economic life is understood and organised, the values and goals that economic policy should promote, the distribution of the benefits of growth, and the prioritisation of social and environmental objectives. This paper draws on these approaches to critically analyse the LUWP and asks how alternative frameworks might be deployed to reduce geographical inequalities and enhance wellbeing.

## Looking beyond GDP – alternative approaches to economic development

Despite its focus on tackling inequalities the LUWP signally fails to reference, or draw inspiration from, a growing array of 'beyond GDP' frameworks that advocate alternative approaches to economic development to reduce social and spatial divides. These approaches are rooted in critiques of existing models of growth because of the social and economic inequalities or ecological threats they generate. This contrasts with the LUWP which says little on the causative role of particular growth models and, especially, corporate practices in generating inequalities. These frameworks form part of a wider interest in rethinking economic development in ways that are cognisant of fundamental, subjective human needs and concerns such as place-based forms of attachment and belonging (Sandbu, 2020; Mackinnon et al., 2022).

In the UK policymakers in local and city regional institutions as well as devolved governments have experimented with a variety of 'beyond GDP' approaches centred on more socially, economically and ecologically just models of development (Davies, 2021; Deas et al., 2020; Etherington and Jones, 2018; Thompson et al., 2020). A whole series of ideas have emerged and been adopted in the last 12 years including Inclusive Growth (Leeds City Council, 2018); the Wellbeing Economy (NCTA and Carnegie UK, 2022); Community Wealth Building (Preston City Council, 2022); Doughnut Economics (DEAL,

2022 [on Cornwall Council]); and the Foundational Economy (Welsh Government, n.d). Often supported by academics or think tanks, local leaders have adopted these ideas in response to the acute social, economic and environmental pressures that urban areas in particular have faced, especially in the wake of austerity and public sector funding cuts since the financial crisis of 2007 to 2009.

The core principles and approaches advocated by these frameworks vary considerably (see Crisp et al., under consideration) but common to all is a critique of prevailing models of growth, particularly where the private sector is positioned unproblematically as the engine of wealth creation and prosperity. For example, proponents of the most mature of these alternative economic development frameworks – Inclusive Growth – have long argued, for example, that orthodox models of growth do little to address disparities if unaccompanied by mechanisms to ensure more people participate in and benefit from economic growth (e.g., OECD, 2014; RSA, 2017). Creating a more equitable model necessitates changing the nature of economic activity and the distribution of benefits (e.g., through changes to business practices and labour market conditions) or broadening participation and opportunity (e.g., through 'social investment' in skills, health and community infrastructure) (Lupton and Hughes, 2016).

More recent approaches have been even more critical in their analysis of current growth models and, in particular, of extractive and exploitative corporate practices as a primary source of inequalities. Advocates of the Foundational Economy (FE) suggest, for instance, that national and regional economic policy has been too focused on competitive and tradeable sectors of precisely the kind that the LUWP advocates (Foundational Economy Collective, 2022). This neglects the fact that a significant proportion of the workforce in less productive local economies is engaged in providing essential goods and services such as food, utilities, housing and transport in the foundational economy upon which wellbeing and 'civilised life' depends. Rather than compete for scarce investment in tradeable export sectors, these areas would benefit from more muscular state-led regulation of foundational sectors to tackle extractive corporate practices, encourage investment, and improve wages and working conditions. Proponents of Community Wealth Building also challenge extractive business models. They advocate, for instance, the creation and retention of local wealth through supporting local businesses e.g., through public sector procurement to reduce reliance on national or international firms that siphon profits out of local economies (CLES, 2019).

By contrast, the LUWP is silent on some of the key political and economic drivers of social and geographical inequalities that undermine its positioning of the private sector as the engine of wealth creation. In other words, it neglects to consider the ways in which business is regulated and operates can itself sharpen inequalities, exacerbated by restrictive trade union legislation that limits the scope for workers to challenge exploitative practices and demand better terms and conditions (Sandbu, 2020).

## The limits of community empowerment

At the same time, it is important to recognise that the pro-growth focus of the LUWP is also accompanied by what is presented as "*a bold new approach to community empowerment*" (HM Government, 2022) that, at least superficially, aligns with some of the core tenets of these alternative approaches. It makes reference to 'inclusion', 'wellbeing' and 'community wealth' while outlining commitments that include a review of neighbourhood governance; piloting new models of community partnership; greater community involvement in planning and policy decisions; promoting the social economy in left behind areas; and more emphasis on social value in public procurement contracts.

Yet closer analysis shows that any similarities in language between the LUWP and alternative approaches often belies more fundamental differences. For example, the notion of community wealth is deployed in the LUWP in the sense of:

*“consider[ing] ways to further develop the role of government in leveraging private investment into community and neighbourhood infrastructure, community activity and wealth building, which will include building on and extending the evidence base for de-risking interventions” (HM Government, 2022: 217).*

Here the rhetoric of community wealth building is elided with language around “leveraging private investment” and “de-risking interventions” that is more reminiscent of large-scale public-private partnerships to regenerate or, all too often, gentrify areas (see Watt, 2021), than supporting bottom up forms of community investment and empowerment. It is a far cry from the central aims of community wealth building which seeks to develop more organic forms of locally owned and managed wealth and assets such as municipal services (e.g., transport, housing and leisure facilities) or alternative business models such as cooperatives.

The stated but vague commitment to wellbeing in the LUWP also remains underdeveloped in contrast to the guiding principles of wellbeing economics that advocates reconceptualising the purpose and goals of economic policy to achieve carefully defined wellbeing-centred goals (e.g., Stiglitz et al., 2009). Instead, the LUWP seems to conceive that more subjective dimensions of the ‘good life’ such as wellbeing, life satisfaction and pride in place will somehow be secured through adherence to orthodox forms of economic development.

Finally, there is also a striking dissonance between the LUWP’s stated commitment to devolving greater power, funding and responsibilities to local leaders and its silence on precisely those local leaders and experiments that have won recognition for pioneering new approaches to alternative economic development. The LUWP outlines an aim to ensure that *“local leaders [are] empowered to develop local solutions to local problems”*, asserting the importance of *“strong local institutions and leadership”* (HM Government, 2022: 233), with a commitment to offer a devolution deal for every area in England that wants one. However, it signally avoids showcasing areas that have experimented with new approaches to economic development such as Preston, which, perhaps more than any other city in the UK, has come to be regarded, both nationally and overseas, as being in the vanguard of Community Wealth Building movement (Brown and Jones, 2021). Though only speculation, this may reflect a political reticence to acknowledge innovative approaches being trialled by opposition-led local administrations in places like Preston, North Ayrshire, Salford, Wirral and Islington as well as by the Welsh Labour-led and Scottish SNP-led governments.

## Conclusion

The LUWP is positioned as a broad strategy for a ‘new model’ of growth designed to address enduring and widening social and geographical inequalities across and within regions in the UK. Yet its ambition is undermined by its tendency to fall back on analysis of spatial divides as driven by market failures amenable to redress through fostering the right kind and volume of capitals in left behind places. Centred largely on a vision of private sector-led wealth creation, many of its proposals depart little from the orthodoxy of recent years of seeking to raise productivity and boost high-skilled, high-wage sectors in ways unlikely to generate more inclusive forms of growth capable of levelling up.

One of its most significant shortcomings is a failure to acknowledge and draw inspiration from the recent explosion of new and creative ideas and concepts about how economic policy can be better configured to shape and improve the distributional outcomes of growth. Key insights from these approaches include the political and economic drivers of wealth extraction, the potential to reconfigure local economies to better generate and retain wealth, and the need to support and improve foundational sectors as a source of both employment and essential forms of collective consumption. The analysis underpinning these alternative frameworks could have provided conceptual and strategic grist to the LUWP.

The argument here is not that these largely small-scale, local innovations in economic development will *inevitably* lead to successful attempts to level up people and places. There has been little systematic evaluation to date of the impacts of approaches pioneered in areas like Preston and North Ayrshire. Moreover, the current lack of resources and powers available to local areas remains a fundamental constraint on any serious effort to address the problems faced by 'left behind' areas (Martin et al., 2021). Purcell's (2006) invocation to avoid the 'local trap' of privileging the locally (and usually urban) scale for interventions also remains apposite. The central contention of this paper is not that these approaches have been demonstrably and unequivocally successful but, rather, that these frameworks grapple with important aspects of the flawed political economy of the UK that are almost entirely overlooked in the LUWP.

As the time of writing this paper the future of the levelling up agenda looks uncertain in the wake of considerable political turmoil including a recent change of government. However, the deep-seated and entrenched inequalities it was intended to ameliorate are only likely to worsen in the current context of high inflation, rising interest rates, forecast recession and growing concerns about a new and imminent round of austerity. Against this highly uncertain backdrop, the need to explore an alternative and radically different "economics of hope" (Mazzucato, 2019) is all the more urgent.

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