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Editorial

Rethinking spatial policy in an era of multiple crises

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After more than thirty years of post-war relative regional convergence, since the 1980s geographical inequalities in economic prosperity and social conditions have widened again in most capitalist countries. In this paper we argue that this resumption of spatial inequality is in part explained by the significant changes observed in the role of the state and in public intervention in the shift from the post-war 'Keynesian' regime of state regulation to the 'Neoliberal' regime that has held sway over the past four decades. We argue that most public policies enacted in this latter period have actually exacerbated socioeconomic – and spatial – polarization, favouring a few metropolitan areas and regions at the expense of a substantial number of what are now commonly referred to as 'left behind places'. We contend that we are now at a new juncture in the evolution of capitalism: in the space of little more than decade the global system has been destabilized by a major financial crisis (2008) and the COVID-19 pandemic (2020), both with enduring socio-economic aftershocks, while the climate emergency is reaching existential proportions. In this Editorial Introduction we call for a bold 'rethinking' of public action - and especially spatial policy - to face these recurring crises, and we outline some pointers for more effective and inclusive policies.

Keywords: spatial policy, spatial inequality, left behind places, capitalism, neoliberalism
JEL Classifications: M48; R5; R11; R12

> "If capitalism is to survive, it must be redesigned in order to address the multiple challenges of globalization, inequality (both national and international), rapid technological change, climate change, and democratic accountability under which it reels at present" (Dani Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy*, 2018, p.202).

Introduction: Another Historical Phase of Crises and Uncertainty

Every generation claims that it has lived through a period of great change and transformation, and with some validity. Capitalism does not stand still: change is one of its defining constants. New firms, new products, new industries, new jobs, new technologies and new markets are continually emerging while old firms, products, industries, jobs, technologies and markets are continually being rendered obsolete. As history shows, these changes need not simply be steady and incremental in nature, but often occur in phases of particularly rapid disruption and upheaval. Nor need they be spatially neutral in their Schumpeterian creative and destructive outcomes. In such periods, economic structures, social formations, state-economy relations, policy regimes, geopolitical arrangements, and geographical configurations of socio-economic prosperity may all undergo major re-orientation. Even extant social theories may be challenged and overthrown by new paradigms.

The first four decades of the 20th century were one such period of intense change and transformation. Two world wars, repeated deep recessions, the growth of mass unemployment, social unrest, the spread of mass production processes for consumer goods, the rise of new international competitors and their impacts on traditional industries, the outbreak of international trade conflicts, the movement of the UK and USA first off, and then back onto, the Gold Standard as the basis for international monetary relations, these and other economic, social and political disruptions to the major industrial countries of the period stimulated the beginnings of a revolution in both economic theory and economic policymaking, that, following the Second World War made state intervention in the economy politically acceptable (Keynes, 1919: Maddison, 1995), the so-called 'Keynesian' capitalist phase, that would last until the 1970s. The interwar years were also a period when pre-existing patterns of regional economic development were disrupted, resulting in some regions with industries that went into depression, other regions that attracted the new mass consumer goods industries of the period, and yet others, previously unindustrialised, once again bypassed by the new industries. To deal with the first and third types of region, national governments began experimenting with regional policies to stimulate economic activity and reduce the social unrest that high unemployment and poverty generated.

Then, in the course of the 1970s, the impact of the final abandonment of the Bretton Woods system of international monetary governance, and with it the remnants of the Gold Standard, and a succession of OPEC oil price shocks, constituted another such historic disruption to the capitalist world economy (Maddison, 1995). This served to bring the post-war phase of relatively stable economic growth to a halt, and activated a major shift in national policy models which, although they differed in intensity and timing, tended to move away from the post-war commitment by governments to full employment and social welfare, to neoliberalist models involving the imposition of fiscal consolidation measures, anti-union legislation, the liberalisation of markets, the privatisation of public services and industries, the deregulation of financial systems, and the promotion of trade globalisation (Yergin and Stanislaw, 2002). The slow reduction in regional economic disparities that had been achieved in the previous period, helped by the combination of post-war economic growth and urban and regional policy interventions, began to falter and, by the end of the 1970s, in many advanced economies, regional disparities had instead begun to widen again.

It is this regime of accumulation and mode of economic governance that has in its turn now come under pressure. As Rodrik (2018) makes clear in the quote above, socio-economies across the globe currently face another cascade of disruptive developments, crises, and upheavals, which together constitute what is arguably another critical juncture in the course of capitalism. In the space of barely a decade, the global system has been destablised by two historic shocks that are supposed to be 'once in a century' events: the global financial crisis of 2007–2008, and the COVID-19 pandemic that started in early-2020. To these dramatic events must be added the mounting—and potentially existential—climate emergency, which represents another structural crisis with far-reaching consequences for capitalism as we know it. These crises are being exacerbated by global trade conflicts, the emergence of another wave of transformational technological change, or the 'fourth industrial revolution' (Lee *et al.*, 2020), and the growth and entrenchment of historically high levels of social and geographical inequality, within both the advanced countries and the developing nations (Horner *et al.*, 2018). The neoliberalist models and experiments of the past four decades are being seriously questioned and contested. There are calls for new ways of thinking in economics, sociology and other related social sciences, and 'building back better' from the COVID-19 pandemic has become a key refrain in current policy discourse, in both national and international circles (Biden, 2021). However, it remains uncertain whether sufficient political will from governments around the world can be garnered to act in the face of the climate emergency, possibly hindered in their action by the very vested interests that profit from continuing entrenched social and geographical inequalities (UNEP, 2021). And, if the call to 'build back better' is to be more than a catchy alliterative political soundbite, it needs to address some critical questions of ends and means: what precisely is (or should be) this new 'better', and what sort of policies will be needed to 'build' it?

One thing is evident, namely, that the disruptions and challenges facing the advanced economies, indeed the global system as a whole, are all deeply geographical in nature, both in terms of their origins and dynamics, and in their impacts. What is therefore also clear is that the policy innovations needed to resolve these challenges, and to ensure there are socially and geographically just and equitable outcomes, will necessarily have to have a spatial dimension at their core. Macro-level policies will need to be sensitive to place, to individual regions, cities and localities, and will need to more actively support the movement to new 'place-based' policy programmes. Indeed, how we think about 'spatial policy', what it means and how it can help in securing the much-needed 'redesign' of capitalism, to use Rodrik's phrase, is itself one of the major challenges we face.

Given the severity of these crises and the importance of growing inequalities, this Introduction critically analyses the role of spatial policy with a focus on the advanced economies. By 'spatial policy' here is meant the varied ensemble of measures and interventions that states use in an attempt to reduce or ameliorate geographical inequalities in economic prosperity and opportunities, and to promote growth, employment and welfare in lagging regions and cities. After briefly outlining the contours and historical evolution of socio-economic inequalities, we provide the background to changes in spatial policy by discussing the shifting role of the state and governance. Next, we define spatial policy and critically examine its flaws, focusing mostly on the European setting. Finally, building on these observed flaws, we argue it is now urgent to reform spatial policy, and provide some new thinking on the directions in which this reform could best be achieved.

The Scale and Challenges of Renewed Spatial Socio-Economic Inequality

Over the past four decades, in almost all capitalist countries, and indeed in some of the newly emerging economies, such as China, geographical inequalities in economic prosperity and social conditions have widened, in some instances to levels not seen since the interwar years (see, for example, Storper, 2018). According to the OECD (2016)

> Within their own borders OECD countries are witnessing increasing gaps in GDP per capita between higher performing and lower performing regions… The gaps within countries between the top 10% regions with the highest productivity and the bottom 75% has grown on average by about 60% over the last two decades. (OECD, 2016, p. 26).

Rosés and Wolf (2020) similarly conclude that

> It is remarkable that the emerging picture on regional inequality in the long-run is also similar to the pattern of inequality in terms of personal income and wealth distributions… the pattern of regional inequality [in Europe]

> over the last 110 years follows a U-shape, just like the pattern of personal income inequality … after 1900 we find a spread of economic activity across regions and convergence until about 1980, and divergence as well as geographical re-concentration thereafter (pp. 35–36).

They go on to argue that these trends in personal and regional income inequality 'seem to be related to each other, suggesting that we need to rethink the driving forces behind both, as well as their consequences for economic development and political stability' (p. 36).

This statement not only makes clear that social and spatial inequality are strongly related, but also suggests that there exists a link between the growth in regional inequality and the issue of political stability. The extent of regional socio-economic polarisation has reached a level that politicians and policymakers have been forced to publicly acknowledge. Across several of the advanced OECD countries, the voting populations with 'left behind' jobs and in 'left behind' places either feel forgotten by mainstream politicians and their policies, or at worst deliberately neglected, in favour of the more prosperous places and the metropolitan centres where national political and economic elites themselves are typically concentrated. While the recent rise of political populism in many countries has many causes, and has involved new movements on both the right and left of the political spectrum, there is no doubt that some such movements can be seen, in part at least, as expressions of social discontent by those living in the places forgotten and bypassed by the economic growth of recent decades (Dijkstra *et al.*, 2020: Hendrikson et al., 2018; Horner *et al.*, 2018; Rodriguez-Pose, 2019).

In the USA, Donald Trump owed his surprise 2016 Presidential election success in part to his playing to this geography of 'abandoned places', with his promises to 'bring jobs back' to the country's economically lagging towns and cities. In the UK, both the Brexit vote in 2016 and the electoral victory of Boris Johnson as Conservative Prime Minister in 2019 were driven by support from the traditionally Labour-voting 'left behind' places (the so-called 'Red Wall') in northern England. 'Levelling up' the economic geography of the country has become a key political mantra. In Spain, residents of discontented, depopulated and underfunded villages, towns and smaller cities across the country formed a new political party, España Vaciada (Emptied Spain), in 2021. Its leaders are calling for the repopulation and inclusion of these areas, posing an electoral threat to mainstream parties, particularly given that electoral rules mean the least populated provinces get more parliamentary seats per inhabitant (Junquera *et al.*, 2021). In several other countries, social discontent has taken the form of direct civil protest and disobedience, as in the 'Gilets Jaune' in France, and the 'Fora Bolsonaro' and 'Impeachment Ja' movements in some Brazilian cities, as well as the emergence of an anti-Bolsonaro 'new left regionalism' in the North East of that country (Siqueira and Brandão, 2022).

The need for policies capable of reducing the spatial socio-economic inequalities that have widened over recent decades is increasingly recognised by both national governments and international policy bodies. Yet most OECD countries implemented some form of urban or regional policy over this same period. Thus, a key question must be: why have these recent policies failed to prevent spatial inequalities from widening?

One possible explanation is that the very nature and scale of the economic and technological changes, of globalisation and its associated policy drive towards 'free markets' (Martin *et al.* 2018), of the shifts in international competition and trade, and other major developments, have simply been such as to overwhelm the national spatial policies that have been in place. Moreover, the funds committed to spatial policies have often proved inadequate to deal with the scale of the problem. Allied to this, it might also be argued that, in any case, the types of policies that were pursued in some countries have become increasingly less effective in dealing with the nature of the changes that were occurring; that is to say, have been themselves rendered obsolete. Indeed, in many instances, the whole shift of the post-war macroeconomic policy model away from variants of the 'Keynesian-welfarist' form to variants based on different degrees of Neoliberalism, had itself geographically uneven impacts across cities and regions. Now, with the current crisis of Neoliberalism, the upheavals posed by the COVID-19 pandemic, and the pending climate crisis, the whole issue of what kind of state and governance system—and the role of spatial policy within it—has once again come to the fore.

What Kind of State and Governance?

Indeed, *the* key paradigmatic shift in the transition from the Keynesian regime to the Neoliberal one centres on the role of the state, from at least three points of view: its mission; its form; and its mode of policy implementation.

The Mission of the State

The first three decades after the Second World War were characterised in most European countries by a strong, centralised national government intervention in the economy and society, in support of both accumulation and social justice. This national government intervention occurred through regulation (strong), strategic orientation of private investment (through various forms of incentives and disincentives), and direct involvement (through public infrastructural investment and state-owned industrial and service enterprises). During this period, the nation state had both political authority and legitimacy. Its main mission was to strengthen the national economy in the context of an international competition that was circumscribed by the major industrial players. The reduction of social and spatial disparities, i.e. the redistribution of wealth, jobs, and opportunities, was actually considered a prerequisite to achieve such national development (see Martin and Sunley, 1997). The economic growth of this period generated the public resources needed to implement policies.

Following the crisis of the Fordist-Keynesian regime in the mid-1970s, the context changed. The globalisation of trade and competition, enhanced by the development of new technologies and the emergence of new players in the once less developed world, severely altered the space for manoeuvre of the nation state. Available public resources became increasingly restricted and their destination and distribution—as is often the case in times of hardship—became highly contentious, torn as they were between competing interests: supporting business versus incomes; international competitiveness versus national political consensus. Moreover, in the context of the progressive loss of political legitimacy experienced by many national governments vis-à-vis increasingly fragmented and particularistic constituencies (Crouch, 2004; Hudson, 2017), such a distribution was much more politically contentious than in the past, also in spatial terms, with cities and regions competing for resources.

The Neoliberal response to the new challenges was an overall retrenchment of state intervention, through deregulation of markets (especially financial and labour markets), liberalisation of once highly regulated and/or protected markets (especially services of general interest, such as transportation, communication, and utilities), and privatisation of public activities (including social services, see Martinelli *et al.*, 2017). The mission of the Neoliberal state was bent on curbing public expenditures, decreasing corporate and wealth taxation, and selectively supporting 'competitive' industries and places in the global market. At the same time, however, even though social and spatial redistribution had fallen significantly on national governments' agendas, the rise in unemployment and poverty as well new social risks, led to an increase in income support programmes, essentially for political consensus reasons, thereby attenuating the scale of public spending cuts, even during the post-financial crisis austerity years (see OECD recent data on government spending at https://data.oecd.org/gga/general-government-spending.htm).

The Form of the State and its Division of Responsibilities

The form of the state also matters, especially in what concerns the relative authority of its different administrative tiers (see Cox, 2022 on differences between the USA and Europe). Until recently, most states in Europe were highly centralised. Since the 1970s, however, and especially over the past two decades, pressures for greater regional autonomy have led to important processes of administrative reconfiguration, which have challenged the political space of authority of the national government. At present, Europe exhibits a rather variegated landscape in what concerns the autonomy of subnational governments (Hooghe *et al.*, 2010; OECD, 2016). In Italy, for example, regional governments (*Regioni a statuto ordinario*) were established in 1970, initially with limited administrative and political autonomy. Decentralisation of authority accelerated in the 1990s, due to pressures from the richer regions of the North-East towards a federalist reform, until the constitutional amendment of 2001 gave exclusive authority to regional governments in several policy domains, including health and social services. Despite this, Italy is still characterised by a 'mixed' system, with regional resources continuing to come prevailingly from the central government's general taxation, albeit with some 'strings attached'[1]. In Belgium, regionalisation also began in the 1970s, but the country—through subsequent constitutional reforms—achieved a full federalist status by the 1990s. In Spain, strong pressures for devolution were put forward by the linguistic communities of Catalonia and the Basque Country in parallel with democratisation from the end of the 1970s (when the *Comunidades autonomas* were established), which allowed them to gain greater fiscal autonomy, but led to a rather asymmetric system. In the UK, devolution started much later (at the end of the 1990s), and has been much more limited, led by the poorer regions of Wales, Scotland and Northern Ireland[2] that sought emancipation from the centralised control of London. However, the process was not completed and the current division of responsibilities among different tiers of government still features a stratified, asymmetric and incomplete system (MacKinnon, 2015). France, in contrast, remains a rather centralised country, despite the fact that some administrative decentralisation occurred in the 1980s (with the establishment of the *Régions*). It is interesting to note here that pressures for autonomy were originated by both rich regions, that sought to retain their tax base (Italy, Spain), and lagging regions, that wanted emancipation from centralised control over public spending (the UK). It is also worth noting that administrative decentralisation or devolution was actively supported by the European Community, especially during the Delors Presidency in the 1980s, along with the discourse of 'A Europe of the regions'. Subnational governments were increasingly called upon to participate in the formulation and implementation of Community policies (starting with the Integrated Mediterranean Programmes and continuing with the EU Cohesion Policy from 1989).

This 'hollowing' out (Jessop, 2002) or 'rescaling' (Lobao *et al.* 2009) of the national state authority in Europe occurred also from above, namely by the making of the European Union (EU). The acceleration of European integration from the 1980s onwards—the Single European Act in 1986; the Treaty of Maastricht in 1992 and the establishment of the Single currency in 2000—has progressively deprived member national governments of authority in many economic policy domains, notably services, trade, regional, and monetary policy (Clifton, 2015).

Policymaking and Implementation Mechanisms

However variegated, asymmetric, and incomplete the decentralisation process, what has come about in Europe is a complex, multi-level system of policymaking and governance, with responsibilities divided or shared among the EU, nation states, subnational governments and municipalities.

This has affected the mode of public action. From a centralised, hierarchical decision-making system, coupled with direct intervention, in terms of both investment and service provision, public action has evolved into a decentralised system of policy formulation and implementation, where the central state (and the EU where applicable) retains a certain control over the allocation of resources but devolves to subnational governments the responsibility of formulating and implementing policies. Moreover, states have cut, outsourced or privatised a range of public economic and social services, while cash transfers (e.g. 'cash-for-care') are increasingly being used in lieu of the provision of in-kind goods and services.

The nation state has thus become a kind of 'cash dispenser', rather than a provider of public goods and services. The central policymaking and implementation apparatus has been 'thinned'—and, in many cases, actually dismantled—and now only performs 'gatekeeping' and resource allocation tasks. In some countries and in some policy domains, the mechanism for allocating such resources to subnational governments—how much, and for what purpose—are still tightly controlled by the central state (e.g. in England), whereas in others (e.g. Italy) subnational governments enjoy a considerable degree of autonomy in spending national transfers.

Over the past decade, a lively debate has developed on the consequences of this multi-level policy system and—most importantly—of the transfer of responsibility to subnational governments, in what concerns the efficacy and efficiency of policy implementation. As we shall argue, this debate is of particular relevance for spatial policy.

What Kind of Spatial Policy?

Just as the present critical juncture calls for a rethink and reorientation of the state and its form and functions, so there is a corresponding need to reassess the nature, form and role of spatial policy. Many states have operated some form of local, urban or regional policy to varying degrees over the post-war period: the UK, since the late-1920s; the USA since the 1930s; Italy, from 1950; France since the early 1960s (Cox, 2022). Regional policy provisions in the European Community date back to 1957, but evolved into a fully-fledged pan-EU scheme in the late 1980s. But while specific spatial policies have waxed and waned, since the 1980s they share one feature: they have not succeeded in halting the widening of spatial socio-economic inequalities that has occurred across almost all of the OECD countries. For this reason and, given the new challenges already in motion, not least the climate emergency and the need to drastically reduce carbon emissions, spatial policy—like macro-economic and social policy—needs to be rethought. To do so, it is useful to briefly review the evolution of regional policy over the last sixty years.

Spatial Policies: From 'Top-Down' to 'Bottom-Up' Strategies

The Neo-liberalist restructuring of the state—of its mission, structure, and policymaking—has deeply affected the way regional and urban policies are formulated and implemented. From a centralised, top-down, redistributive, and 'hands-on' approach, spatial policy has evolved into a complex, multi-level system, with strong formulation and implementation responsibilities attributed to subnational governments. Instead of being the beneficiaries of programmes largely formulated, financed and implemented by the central state (at best in consultation with subnational actors), in a more or less coordinated fashion, regional and local governments are now tasked with devising their own development strategies and implementing them, although within financial support schemes that are still largely controlled at the central level (national and supranational).

This shift was supported, from the late 1980s, by an important 'turn' in urban and regional studies, often referred to as 'New regionalism', which in policy terms later translated into what has been labelled the 'Local development governance' paradigm (Martinelli, 2020). In contrast to the 1960s and 1970s, when regional inequalities were viewed as the product of the broader (uneven) structural dynamics of capitalism, 'New regionalism' focused on the factors explaining the economic success of specific regions, conceived of as 'local production systems', in a broadened competitive context. Forerunners of this approach were the studies on the competitive and innovative features of the Italian 'Industrial districts' and the French 'Milieux innovateurs', the analyses of 'New industrial spaces' and 'high-tech production complexes' in the USA, and the 'Regional innovations systems' and 'Learning regions' in Europe (for reviews, see Garofoli, 2002; Hadjimichalis and Hudson, 2006: Moulaert and Sekia, 2003). Beyond their differences, all these streams of inquiry focused on the *endogenous* factors and relations, especially *immaterial* ones, that made certain regions able to innovate and compete in the global arena. Many of these works were actually drivers of the so-called 'institutional' and 'territorial' turns (Amin, 1999; Martin, 2000; Tomaney, 2014), whereby territorially embedded institutions—in the broad sense of organisations, culture, values, habits, routines, relations, knowledge, trust—were deemed a key factor in explaining virtuous regional trajectories. In these successful regions, local public actors, in particular, acted as coordinators and promoters of local private interests in a synergic perspective.

This new reading of regional—endogenous—development processes has had significant consequences on policy as, from an interpretive approach, the local development paradigm evolved into a normative paradigm. In many policymaking circles, the place-specificity and path-dependent nature of the virtuous endogenous assets and relations observed by scholars in successful regions were forgotten and their model became a 'blue-print' for every other region, regardless of the latter's local characteristics and position in the international division of labour (Martinelli, 2020). Merging with the 'collaborative' and 'strategic' approaches developed in the planning field (see, for example, Healey, 1997), and supported by the concurrent pressures for administrative decentralisation, the *local* became the best level for expressing and implementing self-determined development strategies 'from below', in order to 'unlock' the endogenous potential of places. The implementation of the paradigm was grafted onto the new governance idea that had supplanted top-down centralised policy, whereby local public and private actors were to cooperate—'negotiate'—in designing and implementing 'territorialised' development strategies and projects, although the specific extent and nature of this development inevitably differed from country to country.

Within the EU, the 'local development governance' paradigm became an integral component of the 'place-based' approach (Barca, 2009), deployed in the 2014–2020 Cohesion policy cycle. This new approach was contrasted to the old top-down, allegedly 'place-blind' approach, and explicitly advocated decentralisation as 'the primary means of dealing with [...] failures, by allowing closer control by citizens and pressure on policymakers' (Barca, 2009, p. 40), as well as the local governance of policies 'to promote a process for eliciting and aggregating knowledge and preferences in the places targeted' (Barca, 2009, p. 4). The place-based strategy also integrated elements of the 'innovation systems' literature and was later labelled

'Smart Specialisation Strategy' (McCann and Ortega-Argilés, 2015)[3].

Spatial Policies: From Redistribution to Selective Targeting for Competitiveness

The shift from top-down to bottom-up policy design and implementation was accompanied by a marked shift in purpose. In tune with the focus on increasing competitiveness, financial support was redirected from rebalancing the distribution of infrastructure, services and jobs to strengthening the competitiveness of selected places, i.e. those best equipped to compete in the global arena. Starting in the 1990s and, inspired by the 'global city' narrative, cities around the world became the targets of major redevelopment plans. Framed by the 'strategic planning' approach, these plans aimed to re-launch the economy of formerly industrial cities by supporting the development of advanced business services and the 'cultural' industries, often through 'flagship' projects designed by a new breed of global 'celebrity' architects. These strategic plans involved public–private partnerships, generally with a strong engagement of public resources, and were often coordinated by big consulting firms. In many cases, these projects generated relevant processes of real estate re-valorisation. One emblematic example of this approach is Bilbao's Gugenheim Museum and the redevelopment of its river front in the 1990s. Another is the development of the major financial centre in Canary Wharf-Docklands in London, with its architectural skyscrapers intended to symbolise wealth creation (and wealth extraction, see Shaxon, 2018) and = associated high-cost residential apartments.

In contrast, low-income neighbourhoods in most cities have experienced a sharp decline in public spending. Social housing projects waned, while infrastructure and services deteriorated. The curtailment of social housing and affordable housing programmes, in particular, has strongly contributed to social polarisation, even within 'success' cities (Graham and Marvin, 2001) Marvin, 2001. Turok *et al.* (2022) argue that, in the case of South Africa, the failure to link social housing policy, already weakened by privatisation, to the provision of subsidised land and property, has enhanced racialised inequalities, with poor and working-class black households living far from economic and social opportunities. Elsewhere, although many cases of community mobilisation and socio-economic 'regeneration' projects from below multiplied from the 1990s onwards, on the whole, they obtained limited public funding and mostly relied on voluntary work and civic engagements. In the same way, small cities and rural areas away from the main growth areas fell behind.

A Taxonomy of Spatial Policies

At the risk of simplification, looking across the whole of the post-war period, spatial policies can be categorised into three main 'types' or approaches (see Figure 1).

Arguably, the most common type in advanced economies in the post-war period has been in the form of 'spatially targeted' policy. Typically, these were 'top down' policies designed by central Government (or other relevant central authority) and administered from the centre in specifically designated 'development' or 'assisted' places (regions or localities), chosen on

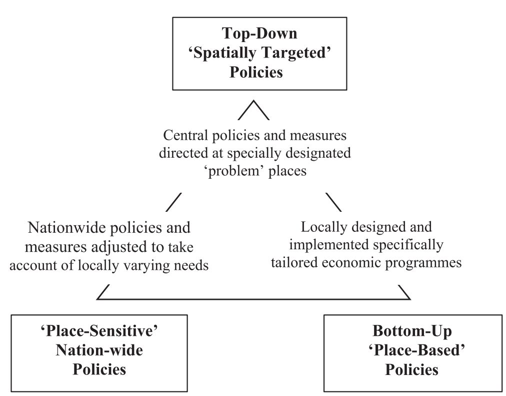

Figure 1. *Three types of spatial policy. Source: After Martin et al (2021).*

the basis of key indicators of economic and social disadvantage. Usually, there was little or only limited discretion over policy design or implementation by authorities or actors at the regional or local level. An example would be capital allowances for new investment by local firms or firms willing to move to such targeted areas; another would be targeted direct public investment in social and physical infrastructure.

A second type of approach is where nationwide 'macro-policies' are implemented which embody some degree of 'place sensitivity', or variation, in their specific form, according to the nature or degree of severity of local problems or needs. An example here might be national policies or programmes designed to improve educational attainment or labour skills, which are differentiated geographically in some way, according to the type or severity of local educational under-achievement or skill gaps. Such policies are centrally funded and designed in general terms but are spatially differentiated according to local conditions. Implementation and administration may be left to a nation-wide system of relevant local bodies or agencies.

The third type of spatial policy is what is now widely referred to as 'place-based'. This involves policies and strategies designed and implemented by local authorities and other local policy actors and institutions, intended to respond to the specific problems and potentialities of that particular place, involving collaboration with various local stakeholders, and combining local sources of funding (e.g. from local business, property or income taxes) with central government funding and other sources of support. Such external funding and support may be conditional to varying degrees on local place-based strategies being consistent with national economic and social goals. Nevertheless, place-based policy is predicated on there being a degree of local autonomy in the sort of strategies and programmes pursued locally, on there being adequate local administrative and technical capabilities, and on there being a high degree of accountability to the local population.

This 'place-based' approach has been defined to include several distinguishing features: sensitivity to local context and identification and customisation of policy to local opportunities, autonomy and discretion for local stakeholders to design and implement policies, and effective and inclusive local leadership, decision-making and collaboration. It also involves coordination, vertically and horizontally, across and between relevant institutions at different spatial levels, and sufficient resources appropriate to the scale of the policy goals. The latter must be oriented towards the sustainability of development outcomes, building upon and learning from effective policies that have succeeded elsewhere. Key 'success' factors of place-based policy have been codified in broad terms as per Table 1 (Beer *et al.*, 2020).

Such a 'place-based' approach is, however, founded on a relatively narrow evidence base concerning its effectiveness and timescales. At the theoretical level, it reflects the basic assumption that the empowerment of subnational governments increases both the efficacy of public intervention (greater knowledge of needs and hence better targeted responses) and democracy (greater participation from below in decision-making). However, this assumption has recently been questioned. With specific regard to the local development governance paradigm and the 'place-based' approach, several shortcomings can be identified.

The first issue concerns the division of authority among the different government scales. The capacity of subnational governments to design and carry out efficient policies depends very much on which functions—i.e. financing, regulating, designing and/or implementing—they are entrusted with. Very often, financing and regulation remain controlled from above and, while entrusted to the local governments, the design and implementation of strategies are made conditional upon complying with specific requirements, which limit their autonomy (see Pike and Tomaney, 2009 as regards the UK case). This also raises questions about whether

Table 1. *The key determinants of success in 'place-based' policy*

• Develop an explicit focus on place and work to make use of the full set of opportunities and resources in that locality • Foster an engagement with local institutions to achieve the mission of each place-based policy • Focus on governance, accepting the need to create robust, sustainable and transparent processes, and acknowledging the key role of erudite and charismatic local leaders • Emphasise value creation and the local capture of value in order to generate opportunities in the short, medium and long terms • Acknowledge the need to consider the performance of places over a long time frame • Prioritise the assistance to those individuals and groups for whom adjustment processes are most challenging • Accept that there is an emotional dimension to questions of place and the future of places which may especially evident in periods of rapid change—such as disruptions to local industries—but is present in all circumstances • Incorporate outcome and output measures—qualitative and quantitative—early in the implementation of place-based initiatives in order to drive achievement • Avoid faltering expectations and a cycle of disillusionment by having demonstrable significant achievements built into the programme design. These can be short term, long term or developmental and they need to be communicated to all stakeholders

Source: Beer *et al.* (2020)

the framework encourages mimicry of strategies among areas, rather than the development of distinctive place-specific approaches.

Second, the multi-level framework in which 'place-based' policies are cast involves a great degree of complexity in the planning process, often with significant bureaucratic redundancies and conflicts among levels, which makes coordination difficult and implementation slow (Hooge et al., 2010). This complexity can, in turn, decrease transparency and accountability (Papadopoulos, 2007).

Third, there is the issue of the capabilities and quality of subnational governments, which are territorially very differentiated and strongly path-dependent (Charron *et al.*, 2014; Rodríguez-Pose, 2013; Rodríguez-Pose and Garcilazo, 2015). Successful policy design and implementation are crucially dependent upon the existence of local institutional assets and (public) leadership in developing and implementing a long-term vision and strategic policy programmes to achieve it. Southern Italian regions are a clear example of the lack of such assets, as stressed by De Vivo and Rinaldi (2022) in their comparison of the economic performance of less developed regions in Europe from 2010 to 2019. Moreover, disadvantaged places often lack the administrative and technical staff necessary to carry out the required planning tasks (such as activating and coordinating negotiation processes, drafting programming documents and projects, etc.). In fact, the cuts in public employment carried across the board over the last few decades have severely weakened the human resources in 'left behind' local government and planning bodies. Finally, in many disadvantaged regions, local governments are prone to clientelistic political consensus practices and, hence, are easily conditioned by 'extractive' interest groups (Acemoglu and Robinson, 2012).

There is, thus, a concrete danger that this type of policy framework ends up favouring those places that are already advantaged in relation to policymaking capacity. Hence, resources are allocated to places in relation to their ability to comply with programming requirements, rather than in relation tof their needs (Martinelli, 2020). As stressed by Avdikos and Chardas (2016), capabilities and competitiveness have become a 'pre-requisite' for accessing resources. This issue has been a specific concern with 'smart specialisation' strategies (Morgan, 2020).

Finally, the 'local development' paradigm and the 'place-based' approach do not take into account the broader forces of capitalist transformation involving actors and processes which are well beyond the control of localities (Hadjimichalis and Hudson, 2014; Hudson, 2005; Martin, 2001). Less favoured regions and cities are excluded from the global circuits of capital, information and knowledge and cannot be expected to overcome on their own problems that are generated by much broader dynamics. Supportive institutional and policy frameworks are thus needed at the national and even supranational levels, as well as a more 'place-sensitive' approach to national macroeconomic policy and management. Place-based policies may be necessary, but of themselves are not sufficient to guarantee the economic revival and prosperity of lagging and 'left behind' places.

Towards a New Socially and Spatially Rebalanced Public Action: A Few Pointers

Neoliberal policies deployed by national governments over the past forty years—deregulation, liberalisation, and privatisation—have not brought about the expected benefits in terms of economic growth and competitiveness; or if they have, only to specific sections of society and selected places. Public spending, despite significant cuts in certain domains, notably public goods and services, has not, on the whole, been curbed. The public support of selected 'competitive' industries and places has not yielded significant 'spill-over' effects in terms of job creation more widely, and social and spatial inequalities have increased, both between and within cities and regions. More importantly, the effectiveness of recent regional policies has been significantly affected by the reconfiguration of policy governance that has taken place since the 1980s. What is to be done?

Distinguishing the different kinds, roles, and relative advantages and limitations of the three spatial policy approaches identified in the previous section can prove useful in formulating a response to the extensive, entrenched, and multi-scalar spatial inequalities in socio-economic prosperity and welfare that currently exist in many OECD countries. A clearer understanding is needed of the different kinds of 'spatially targeted, 'place-sensitive' and 'place-based' polices and their interrelations, as well as their connection, alignment and coordination with ostensibly 'spatially blind' national policies and expenditures. For the latter, though implemented under the assumption that they are geographically 'neutral', often have unintended spatial consequences, which can even undermine or negate the impact of specifically spatial polices, and indeed can act as 'counter spatial policy'. This is well stressed by Sokol and Pataccini (2022) in what concerns monetary policy, especially in the context of the Covid-19 pandemic.

'Left behind' places represent a large portion of contemporary national socio-economic spaces. It has become evident that the Neoliberal focus on 'winning' sectors and places, and the undifferentiated 'place-based' approach of funding schemes for 'less developed' regions and places (such as the EU Cohesion policy, but also national spatial policies) are not generally working, except in a few places that were already better equipped in terms of social and institutional capital. And, it has similarly become evident, both economically and politically, that the plight of 'left behind places' needs to be urgently addressed. The concatenation of structural crisis upon crisis requires a radical change in the approach to the issues of entrenched decline and marginalisation. A radical policy shift means both looking back to retrieve lessons from the past and looking forward to bold new initiatives capable of responding to new challenges and opportunities. If we want to act in the direction of a more sustainable—economically, socially and environmentally—form of development, we must recover the redistributive and egalitarian approach of the Keynesian state, while also harnessing the potential of properly conceived and effective 'place-based' policies. In what follows, we discuss a few possible pointers for consideration when starting to think about the direction of radical policy changes: 1) distinguishing among 'left-behind' places in order to better 'tailor' spatial policies; 2) reinvesting in, and spatially redistributing, public infrastructure and services; 3) supporting foundational economy activities and carbon-free transition processes.

Better 'Place-Tailored' Spatial Policies for Different Types of 'Left-Behind' Places

As Hendrickson *et al.* (2018), Martin *et al.* (2021) and MacKinnon *et al.* (2022) stress, the notion of 'left-behind' places includes different types of declining areas, at different scales, with different problems: former industrial regions, cities, and neighbourhoods; rural/agricultural areas and small towns hit by trade liberalisation in food and agricultural products; geographically marginal inland areas that have experienced a progressive haemorrhage of their population, public services, and jobs; and coastal towns that have lost their former roles as tourist or fishing centres. As Hooton (2022) highlights, even in places with similar per capita GDP levels, socio-economic and environmental characteristics, as well as the actual relative position of these places in the national economic space, can vary greatly. Further, what often varies significantly among 'left-behind' places are the capabilities of local actors, both public and private, to design and implement policies—foundations upon which the whole 'place-based' strategy is based (Martinelli, 2020). Not all 'left-behind' places have strong community ties and a tradition of civic activism, untapped entrepreneurial capital, and/or a motivated and skilled public administration, capable of engineering the process leading to a 'place-based' strategy, let alone drafting programmes and projects and obtaining the necessary funding.

In order for a 'place-based' strategy to work in 'left-behind' places, a better targeted (Hooton, 2022: Martinelli, 2020) and more supportive spatial strategy is needed at the central level. To achieve this, two core objectives must be considered. First, the variegated nature of 'left-behind' places must be properly captured, based on the specific socio-economic and environmental characteristics of a place, its position in the national and international division of labour, and the quality and capabilities of local actors, particularly, its public administration. And second, spatial policy at the central level must better target policy strategies and tools to such diverse places. Moreover, strategic, coordinating and technical assistance may be required from the national government to ensure that allocated resources are spent efficiently, effectively and rapidly in 'left-behind' places, some of which are poorly equipped and positioned to benefit from 'placed-based' policies without implementation support.

Reinvesting in and Spatially Redistributing Public Goods and Services

An important 'non-spatial' public intervention, which nonetheless has key spatial implications, concerns public goods and services. These include essential infrastructure and services both of 'general economic interest' (such as transportation, communication, postal services, utilities) and of 'general social interest' (such as health care, education, and social care) (Clifton *et al.*, 2005; Szyszczak, 2011).

As we have seen, policy on public services by governments around the world underwent a deep shift from the late 1970s onwards — and this has had significant consequences for spatial socio-economic inequalities (Martinelli, 2017a; Sandbu, 2020). Broadly speaking, the post-war policy approach adopted by governments in the 'Keynesian phase' focused on the provision of public goods and services in ways that strived to attain socio-spatial universality and equity of delivery (Martin and Sunley, 1997; Millward, 2005). Public ownership through nationalisation was used to forge efficient and redistributive networks of services across the national space. First, nationalisation enabled the linking together of previously existing infrastructure and services which—whether in public or private hands—had tended to be organisationally fragmented and concentrated in the richer regions where a profit could be made. Second, nationalisation promoted the diffusion of these infrastructure and services into those regions which were less profitable but were in high need (Millward, 2005). Accessibility for all citizens was underscored by policies such as standard price settings and redistribution of charges, based on the principle of cross-subsidisation.

From the late 1970s, however, policy on public infrastructure and social services shifted towards privatisation, deregulation and competition. In the case of infrastructure, this restructuring involved 'cream-skimming' and prioritising services in profitable areas, whilst cutting unprofitable ones, reinforcing the divide between 'central' and 'left-behind' places (Clifton *et al.*, 2015). In regard to social services, previous policies supporting universalism were replaced by policies to cut costs, outsource and decentralise social policy in favour of 'local welfare systems', allegedly more responsive to local needs and more capable of activating local resources (Andreotti *et al.* 2012). However, these shifts have generated a 're-polarisation' of service delivery, both in social and spatial terms (Martinelli *et al.*, 2017b), as the generalised tightening of public expenditures and public employment that has occurred in the last thirty years—with an acceleration after the 2008 financial crisis—has undermined the capacity of the poorer places to face the growing demands for social services that arises from social and economic decline (Gray and Barford, 2018). This process has been interpreted by some as an effective strategy of 'decentralising penury' (Keating, 1998), or 'blame avoidance' (Bonoli, 2012).

Thus, the expected benefits of the Neoliberal restructuring of public and social services have occurred only in selected places and for selected social groups, i.e. where a 'market' of higher income customers existed, whereas low-income neighbourhoods, small cities and rural areas have been left with a thinning supply of quality services. A typical negative circular and cumulative causation mechanism is at work, whereby the poorer places are progressively undersupplied and marginalised. What now exists in some countries is a sort of 'post-code lottery' as many places have seen their access to and quality of provision of public and social services decline in relative, if not absolute, terms.

In recent years there has been signs of a potential 'reversal' of these trends, for example, in the form of re-nationalisation and re-municipalisation in parts of Europe and Latin America (Hall *et al.*, 2013), as well as of 'insourcing' previously outsourced service delivery in the USA (Warner and Aldag, 2019). Whilst there are a number of reasons for these reversals, Cumbers and Becker (2018) argue they could represent the beginning of a pushback against privatisation and the embryo of more progressive socio-economic and spatial configurations.

A new 'rebalancing or 'levelling up' spatial policy approach must, therefore, necessarily re-launch public infrastructure and services[4]. The latter not only provide jobs and services that can counter the decline and marginalisation of places (EC, 2010; EESC, 2014; Martinelli, 2017b), but also play a fundamental role, both symbolically and materially, in keeping places together and making citizens feel included and connected—rather than left behind. When a public school, a postal office, a job centre, a railway station, or a retirement home closes down in a place that does not warrant sufficient demand in business terms, what is closing down is the sense of belonging (FEC, 2018; Sandbu, 2020) to a broader community that takes care of its citizens and only the presence of the state can support.

Supporting Foundational and Carbon-Free Activities

As argued by the proponents of the 'Foundational Economy' notion (Bentham *et al.*, 2013; Engelen *et al.*, 2017; FEC, 2018), there are numerous activities that escape the global competition conditioning mechanism, i.e. activities that cannot be easily offshored. These include a whole range of public services (see previous section), but also activities carried out by private suppliers, such as in personal services, retail, distribution and logistics, construction and maintenance, as well as certain agricultural and food processing activities. All these activities are the 'foundation' of everyday life and need to be near the population they serve. Even when carried out by large, national, often transnational companies, these suppliers need to be located close to their markets and are hence required—in principle—to comply with national and local regulation. As argued by Morgan and Martinelli (2019), this is where both the national and the local state have 'leverage' and it is upon these activities that top-down and bottom-up public action can converge: the central government investing in public services, enforcing national regulation to improve the contractual conditions of workers, e.g. in distribution and logistics, as well as in environmental compliance, and supporting innovation towards carbon-free agricultural and manufacturing activities; the local governments and community leaders rallying support for innovative 'place-based' strategies that can build on 'foundational' activities, identifying the specific needs and 'untapped' potential of each different 'left-behind' place.

Perhaps above all, the increasing realisation and urgency of the need to transition to a net zero carbon economy offers what in many ways is an historic transformative moment for rethinking spatial policy. Unless spatial policy is integrated into such national 'greening' objectives, the outcome is likely to be yet another round of geographically uneven development, as currently economically lagging and depressed places get left behind: first because their economies may well bear the brunt of the abandonment of carbon-based and carbon emitting industries and activities; second, because these same areas miss out on the investment in new technologies, industries and jobs that will be needed to move to a net zero economy. While international agreement on phasing out dependence on carbon-based energy and carbon emitting industries remains frustratingly slow (as the 2021 COP-26 demonstrated), nevertheless states are beginning to commit major expenditures on measures to limit carbon emissions and promote carbon-free technologies and industries. The sums involved will be substantial (in the trillions of US$). Targeting those monies and investments, wherever possible, to 'left behind' places, will ensure that those places share equally in the new jobs, new firms and new industries involved. In Schumpeterian parlance, the task must be to ensure that the 'creative-destruction' aspect of the transition to a net zero economy is at least spatially neutral and, if possible, positively skewed to the places that currently lag economically behind. 'Green new deals' offer an unprecedented opportunity to level up our economic landscapes.

Coda

To return to our opening argument, we currently stand at another of capitalism's critical historical junctures, a period of multiple crises and disruptions, from which capitalism is highly unlikely to recover and renew itself purely by dependence on the free operation of 'market forces'. Indeed, in many respects it has been the excesses and biases of the market forces unleashed by the deregulation, privatisation and unhindered hyper-globalisation of economic activity over the past four decades, that has brought about the very disjunctures and problems that we face.

It is increasingly accepted that the Neoliberal model of economic management—in its various national forms—that held sway over this period is itself part of the problem, and needs replacing. In the face of significant increased social and spatial inequality, the imperative to move to a net zero economy, and the need to strengthen health security, among other challenges, there is a rising tide of 'rethinking' going on: of economic theory, of the meaning of economic 'growth', of 'wealth', of 'value', of governance and belonging, of the role of the state, and of democracy itself. Deeply interwoven into this wave of introspection and search for a new way forward, we have argued, is the need to rethink spatial policy, that is, the role and range of various interventions and measures to ensure a fair and just distribution of opportunity, prosperity and social welfare across regions, cities, towns and communities.

As Martin Sandbu has put it:

> [T]he Western social order no longer fulfils its promise of an economy that offers a (good) place for everyone. And just as such an economy used to sustain a psychological, sociological and political togetherness, so the end of economic belonging has undermined those types of cohesion… And it is becoming increasingly clear that this particularly afflicts certain places and regions, destroying the communities they call home… An economy—and a politics—that benefits some people and places while locking others out of prosperity is what the end of belonging means (Sandbu, 2020, pp. 9–10).

Improving our understanding of the variegated spatial incidence and nature of this 'end of belonging', of being 'left behind', is an urgent task, since it will help inform the second urgent task, of how best to reconfigure spatial policy in order to help bring 'left behind places' and their communities back into the economic and social mainstream.

Endnotes

[1] Regional governments have limited revenue tax levying authority, whereas municipalities rely on property taxes. The bulk of regional governments' resources still comes from the central state, with a redistributive function, although it is based on a 'historic' pattern of allocation, that has not changed and no longer reflects actual regional needs.

[2] Devolution was not new to Northerm Ireland. It had had a devolved Parliament and Executive between 1921–1972.

[3] The new strategy did acknowledge the potential risks and failures involved in local governance, such as the weakness of some local authorities, the existence of rent-seeking by local interest groups, or the absence of national strategic guidance. However, it was still deemed the 'best' option to ensure development and the only 'feasible' option in a union with weak political authority (Barca, 2009). To overcome such risks, the 2014–2020 Cohesion policy programme placed greater emphasis on institution-building, social capital formation and good government, allocating resources to specifically target these weaknesses (Thematic Objective 9).

[4] As stressed by proponents of the 'social investment' approach, these services should not be considered a cost, but an investment for the future (Hemerijck, 2012).

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