

# Haldane backs drive to level up regions

Philip Aldrick Economics Editor

Andy Haldane yesterday hailed Boris Johnson's plan to level up the regions as long overdue economic progress as he underscored the growth potential of investing in poorer areas.

Raising productivity to the national average in the 50 local authorities that have consistently fallen behind the 124 others would deliver £65 billion in growth, or 3 per cent of GDP, the Bank of England's chief economist said.

Mr Haldane was in Birmingham to launch a report into regional productivity disparities by the Industrial Strategy Council, an independent group, that he said must "hold the gov-

ernment's feet to the flames" on its industrial strategy. He chairs the council.

Levelling up "is for me an issue whose time must surely have come", he said. "For the first time in my working lifetime, we have the divine coincidence, the alignment of the stars, between what is politically expedient, what is economically sensible and what is socially just. That's an opportunity that I hope we can seize.

"It is likely that levelling up will soon displace Brexit as the single most-used word in Whitehall and I'd say that counts as progress."

The report revealed the scale of challenge that Britain faces. Regional disparities have not been worse since 1901,

when London was 30 per cent more productive than the UK average and Wales was 16 per cent less productive. The gap halved by the 1960s, but opened up again sharply from the 1990s. London and Wales are now roughly back to where they were more than a century ago.

Britain is a more unequal economy, in spatial terms, than all but two of the remaining 27 members of the EU, the report showed. Only Romania and Poland, "transition economies" moving up the wealth scale, are worse.

Productivity growth is key to living standards. More productive regions have higher disposable incomes, better education and longer life expectancy,

the council's report showed. Mr Haldane welcomed Mr Johnson's decision to rip up the "green book", the govern-

ment's cost-benefit guide on how to direct investment, saying: "They are relooking at that. That relook is warranted."

To raise productivity, ministers need to take a risk, Robert Zymek, a lecturer in economics at the University of Edinburgh who led the productivity research for the council, said. "We know that achieving significant productivity turnarounds are rare," he said. "It requires significant investment, investment that can fail. That risk has to be acknowledged."

On scrapping the "green book" principle that state funds be invested where the returns are greatest, Mr Zymek said: "It might make sense for regional policy to put a greater focus on the places that seem further from achieving their potential."

The council has drawn up metrics against which the government's productivity record will be judged.

Emma Bridgewater, a council member and founder of a ceramics company based in Stoke-on-Trent, said that the measures should help to inform the government on what works and what does not. "This is all our problem," she said. "The economic prize [of better productivity] is high and the human prize is high, also."

