OECD-EC High-Level Workshop Series: Place-Based Policies for the Future

How Have Place-Based Policies Evolved to Date and What Are They For Now?

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This paper reviews the nature of, and case for, modern case for place-based policies. In order to do this, we examine how the thinking about place-based policies has developed over time in the context of the changes experienced in the economies of advanced economies over recent decades. To understand the case for place-based policies and the contexts in which they may be needed, it is essential to understand the longstanding arguments which have been put forward against place-based policies, framed via a purported dichotomy between ‘place prosperity versus people prosperity’. On the basis of sixty years of thinking, this paper demonstrates that this dichotomous narrative is almost entirely illusory, conceptually, analytically, and empirically, and has unhelpfully distorted thinking about regional development issues. This six-decade long examination allows us to articulate more clearly the conceptual underpinnings of place-based policies, and to identify the contexts in which such approaches are meaningful. Today the underlying dynamics of modern interregional systems have changed profoundly, and the OECD-wide shift from convergence to divergence demonstrates that the conceptual and practical insights of place-based policies are needed more than ever.

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The series of six OECD-EC High-Level Workshops on "Place-Based Policies for the Future" consider place-based policies from the following angles: (1) how place-based policies have evolved; (2) the articulation of place-based policies against other policymaking frameworks; (3) how place-based policies can address current and future societal problems; (4) policy design, measurement and evaluation; (5) governance and coordination; and, (6) what place-based policies are required for the future.

The outputs of the workshops are a series of papers and a summary report that outlines future directions for place-based policies. This work will ultimately be relevant for policymakers at all levels of government who are interested in improving the design and implementation of place-based policies to contribute to equitable and sustainable economic futures.

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1 Introduction

In order to begin to discuss the nature, logic, and evolution of place-based policies in different parts of the world, and their role today in the political economy of economic development, it is important to understand that what are referred to as ‘place-based’ policies, have fundamentally changed over recent decades. This evolution has taken place on the basis of increasing experience, evidence, and major strides forward in our analytical understandings of the way that place interacts with other social and institutional features framing market processes. The case for place-based economic development policies can best be understood conceptually, analytically, empirically, and practically, by understanding how place-based narratives have been framed over many decades. In particular, the supposed juxtaposition between ‘place-based’ and ‘people-based’ influences, features and effects has been central to debates about the case for, or case against, place-based policies, for six decades. Yet this juxtaposition has rarely been seriously challenged, and the contradictions inherent in this dichotomous logic exposed. In this paper, in order to understand the fundamental principles underlying the case for place-based policies, this ‘people versus place’ logic will be dismantled on conceptual, analytical, empirical and practical grounds, in order to demonstrate precisely why a ‘people-in-places’ framing, which underpins place-based policies, is so important for effective local economic development and regional policies to be designed and delivered. The rest of the paper is organised as follows.

The next section explains the origin and evolution of the ‘people versus places’ framing and narrative over six decades, and the underlying economic context in which such narratives originally arose. The section discusses how the use of this framing has been deployed to implement policy changes, and the logical culmination of this framing into the ‘space-blind’ policy narrative. The section also examines the various pieces of empirical research which have been articulated on the basis of this ‘people versus place’ framing and the resulting claims that have been made regarding the extent to which regional inequalities are apparently ‘people-based’ or ‘place-based’ in nature.

The third section explains the parallel evolution of place-based arguments over a similar time-period and the various eclectic lines of thinking which have converged into the modern place-based policy approaches. The section reviews the empirical evidence as regards to space-blind and place-based arguments, and also discusses the key major reports which have synthesised and articulated modern place-based arguments.

The fourth section then pushes these principles even further. The section re-interprets the logic underpinning the ‘people versus place’ framing and the space-blind arguments and argues that these are largely self-contradictory constructs. The argument that this is the case will be made both on conceptual and empirical grounds. The section challenges the logic that, except in a very few rarefied examples, that even being able to observe and distinguish between ‘people-effects’ and ‘place-effects’ is almost impossible. The section also uses this same logic to unpick the claim that the various published empirical papers are really able to tell us anything about the purported role of people versus place in generating regional inequalities.

Section 5 focuses on the importance of understanding the role played by social capital in underpinning a ‘sense of place’, and that these attributes inherently have value, something which space-blind arguments always largely failed to acknowledge. A key difference between place-based approaches and space-blind approaches is that in declining regions there is a critical need for rebuilding all aspects of the local the public sphere, including local public goods, institutions and governance, and that this is absolutely essential in order for market processes to work locally. Yet, market processes, of themselves, are unable to facilitate this rebuilding, so place-based policies are needed to help rebuild market processes. In the purported 'people-prosperity versus place prosperity' or the 'people-based versus place-based' logic, these institutional, social capital and governance issues are almost entirely ignored, assuming that market mechanisms will automatically self-correct. Yet, both fundamental economic shifts and allied political shocks during the last two decades nowadays provide profound doubts regarding the veracity and validity of these space-blind arguments.

On the basis of all of these arguments, section 6 then lays out the threefold case for modern place-based regional policies. The three main arguments underpinning the case for a place-based regional policy are: namely the efficacy of the democratic-market system; the performance and effectiveness of the democratic-market system; and the integrity and longevity of the democratic market-based system.

The seventh and final section discusses the roll-out and deployment of these place-based approaches in the case of policies tackling climate change in both the USA and EU. We discuss these approaches in the context of the new generation of policies aimed at mitigating climate change, and we explain how place-based approaches are essential in order for these policies to be effective. In particular, the compensation principle means that place-based policies are essential for maintaining support for these policies from the economically weaker regions, which are typically more exposed to climate change mitigation processes.

2 ‘People Prosperity’ versus ‘Place Prosperity’ and Space-Blind Arguments

The first explicit statement regarding a notion of ‘place-based’ activities or policies, as distinct from, or in opposition to, so-called ‘people-based’ activities or policies, was articulated by Louis Winnick (1966). On the grounds of a purported conflict between ‘people prosperity’ and ‘place prosperity’, Winnick (1966 p.275) argued vehemently against redistributive national policies associated with ‘place-based’ thinking, on the grounds that such policies would be inherently inefficient, ineffective, and potentially distortionary in terms of social welfare. His focus of attention was the 1950s and 1960s politics of Washington DC, and in particular, the role of political perks and kickbacks for voting and support in particular DC agendas (Akpadock 2012). In the USA, the appropriation of government spending for local projects has been popularly known as ‘pork-barrel’ politics since the late nineteenth century. The logic behind these interventions is that public moneys are used for activities whose benefits are geographically concentrated, but whose costs are born by geographically diffuse populations, many of whom will not directly benefit from the activities. The logic of ‘pork-barrel’ politics was that they were used primarily for gaining political support rather than spurring economic development per se, and Winnick’s (1966) argument was that such policies were therefore likely to be distortionary precisely because the economic development implications were not the cornerstone of the policy, but rather a political logic. In actual fact, Winnick’s (1966) ‘people-based versus place-based’ argument had two dimensions to its critique, namely a local dimension and a national dimension.

In terms of a local dimension, Winnick argued that: *“Even in an economy with an appreciable margin of unemployed resources an induced shift of economic opportunities is more likely to be reflected in a redistribution of, rather than an increase in aggregate employment… The fact remains that the incremental income occasioned by planned intervention is subject to considerable leakage and flows as readily into the pockets of the least needful as into the pockets of the most needful … policies directed towards people rather than places are no doubt the right medicine, but they work too slowly.”* (Winnick 1966 p.275: Quoted by Akpadock 2012). Winnick’s argument was that even in an economically depressed area where local funding injections may not face major price-related inflationary supply-side constraints, although a local intervention whose funding was gained by providing political support in Washington DC may appear to be beneficial to that particular locality, in reality it is unlikely to be so. This is due both to rent-seeking and also the appropriation of those revenues by local vested interests in no need of such support. This argument concerning the relative inefficiency of place policies even as redistributive devices was critical, for it obviated the need for any consideration of the potential trade-offs between efficiency and equity in a spatial setting (Bolton 1992). The Winnick framing implies that no such trade-off exists, and that place-based policies are always welfare reducing. This provides the local welfare-distortion critique of Winnick’s (1966) notion of ‘place-based’ policies.

Winnick (1966) also drew on previous economic research which stressed the importance of labour mobility as a solution to the economic decline of places (Agnew 1966). Any policies which limit outflows of labour from economically weaker places to economically stronger places were argued to reduce aggregate national welfare. They key statement of these principles whereby capital and labour flow in opposite directions was by Borts and Stein (1964), just prior to Winnick (1966), and interregional convergence had for a long time already been the defining characteristic of the US interregional economic system. 'People prosperity' is therefore viewed as requiring labour mobility away from economically weaker places in response to private and public disinvestment (Agnew 1984). As such, Winnick argued that any policy settings which reduced interregional factor adjustment processes were to be eschewed on the grounds of national welfare. This reflects the national dimension of Winnick's critique.

Winnick's (1966) 'place prosperity versus people prosperity' terminology became a shorthand expression for questions regarding the design of national policies aimed at assisting individuals, places and regions facing challenges (Bolton 1992). Importantly, it implied an automatic conflict between two possible goals of policy, namely a conflict "*between the ideal of improving the welfare of deserving people as individuals, regardless of where they live, and the ideal of improving the welfare of groups of deserving people defined by their spatial proximity in 'places'"*(Bolton 1992). The notion of places as the reference unit defining a group can differ, depending on the context, from small settlements, through to towns, cities or even groups of cities. However, the important contextual backdrop is that these place settings are always localities which are economically depressed. Discussions about 'place prosperity versus people prosperity' are never about the trade-offs inherent in designing policies to better manage economic growth in prosperous places (Bolton 1992). Yet, the veracity of the Winnick critique also depends crucially on the assumption that there is a parallel and corresponding conflict regarding the practicalities of government policies. In other words, it is assumed that there is an institutional and governance conflict between two broad groups of policies, namely those aimed at providing *"on the one hand, direct transfer payments to individuals or subsidies to encourage them to move out of declining regions, (or) on the other hand, expenditures aimed at increasing infrastructure and private capital in particular places, such as grants to local governments and business, and education and worker training that are oriented toward the place's existing comparative advantage"* (Bolton 1992). If there is indeed such a governance and institutional conflict, then it implies that these conflicts are practical and political in nature. "*It implies that it is hard to aid persons efficiently if one makes the aid conditional on the persons continuing to live in the region that is declining. Either such aid has very little effect in transferring real income, or it introduces inefficiencies that impose a high net cost on the larger society."* (Bolton 1992). Winnick assumed that both of these things were true in reality (Bolton 1992) and referred to examples such as federal support for Appalachia to try to bolster his case.

Although some people infer that the 'place prosperity versus people prosperity' debate is fundamentally about 'bringing jobs to people or people to jobs', in reality this framing is far too narrow, because it ignores the effects of either kind of policy on those who are not in the labour force (Bolton 1992), and also because it ignores the effects of these different types of policies on other areas of the economy including coordination, incentives, governance and institutions. Winnick accepted in principle that local government was essential for many people, and also that federal-local policies were likely to be present as a means of governing, but he argued that the benefits of these policies must not be oversold and that the costs of these policies need to be assessed more carefully (Bolton 1992). Indeed, there was one arena in which Winnick argued that the federal government intervenes too little rather than too much, and this was the issue of compensation. If place-based policies involve the taking away from some places and the giving to other places, but without compensating the former, it fails to draw more attention to the inevitably redistributive nature of place policies and an explicit compensation approach would make the full costs more visible (Bolton 1992).

It is important to note from the outset that Winnick's (1966) argument was in reality a set of assertions based on a particular set of economic welfare principles, with no specific or serious empirical evidence attached to support these contentions. Such arguments were based on a conceptual framing which posits that there is a well-understood distinction between ‘place prosperity’ and ‘people prosperity’ and ‘place-based’ and ‘people-based’ policies, and advocates of this distinction typically argue that policies should aim to help people rather than places, since aid to places or areas will not necessarily increase individual welfare (Agnew 1984). At the time of writing, Winnick’s arguments chimed with many aspects of mainstream thinking in economics, as they prevailed in the 1960s (Borts and Stein 1964), and which were based on what now appear to be rather simplistic notions of production and consumption functions, although similar arguments regarding economists’ views were still being made over four decades later (Glaeser and Gottlieb 2008; World Bank 2009).

For almost a decade and a half the Winnick argument lay largely dormant, except for a few specific references in a textbook and a review article (Hoover 1971; Hoover and Giarratani 1984, Whitman 1972), receiving little or no academic attention, citations or references for many years, until it was resurrected in the early 1980s (Edel 1980). However, the renewed lease of life of the ‘people-based versus place-based’ framing primarily emerged not from any analytical arena, but from a political arena. The President’s Commission for a National Economic Agenda was initially set up by the Carter administration, but also continued under the Reagan administration (PCNEA 1980, 1981). The various reports of the Commission (PCNEA 1980, 1981) argued that ‘people prosperity’ and ‘place prosperity’ are largely conflicting goals (Agnew 1984). Page 78 of The Commission’s 1981 Report (Agnew 1984) states that*: “... much greater attention should be given to developing strategies that allow people to adjust to shifts in the location of economic opportunity … Assisting people to follow jobs, rather than concentrating solely on attempting to steer jobs to where people are, is a major goal of any adjustment strategy”* (PCNEA 1981 p.78; Agnew 1984), while the Commission’s 1980 report on cities (PCNEA 1980 p.82) argued that “… *our national responses . . . should evolve -from a largely place-oriented, locationally sensitive, national urban policy, to more people-oriented, locationally neutral, national economic and social policies*” (Bolton 1992). To some extent, these recommendations foreshadowed the New Federalism agenda of the subsequent administrations, as well as more modern thinking in the fields of governance reform and fiscal federalism (Oates 1972). The Reagan administration subsequently used the Commission’s work and reports as a basis for abolishing many of the federal economic development programmes and to turn over support of community development programmes from federal to state and local institutions. However, rather than signalling the dawn of a new era of state and local governance and policy innovation, this federal to local transition has been described as an ‘anecdote of devolution’ (Akpadock 2012). Rather than decentralisation or devolution, the reality of this shift was largely the abolition of many of these policies and programmes, especially in those economically weaker places which were more reliant on federal support due to the weaker resources of state and local institutions.

The President’s Commission for National Economic Agenda effectively eschewed any role for place-based policies, and the Reagan administration used these arguments to justify the abolition of federal policies in this arena. Yet, these arguments against place-based policies did indeed reflect the mainstream thinking in many areas of urban economics (Glaeser and Gottlieb 2008). However, from the early 1980s onwards, these broad ‘people prosperity versus place prosperity’ types of ideas and debates once again dissipated and lay dormant for another quarter of a century until they were revived in a slightly different guise by Glaeser and Gottlieb (2008) and the World Bank (2009), who focused on the policy-guidance implications of spatial equilibrium frameworks. Glaeser and Gottlieb (2008) take the broad Winnick (1966) types of arguments further, based on the spatial equilibrium principles as first set out by Borts and Stein (1964) and extended by Barro and Sala-i-Martin (1992, 1995) and Blanchard and Katz (1992), but now also explicitly incorporating space and land markets in their analytical framework (Glaeser 2008).

It is broadly accepted from a wide range of OECD-wide evidence that productivity and growth are related to processes of agglomeration and clustering, and Glaeser and Gottlieb (2008) therefore argue that facilitating these urban concentration mechanisms should be a primary goal of economic policies, as they relate to cities. However, such mechanisms are often largely stymied by locally-decided decisions. Local productivity enhancements are often largely capitalised into higher local house prices due to locally-determined land use and land supply restrictions, which limit the incentives and possibilities for migration moves from the less to the more prosperous places. These locally-determined land use restrictions are nationally inefficient and welfare distorting. While there are various potential market failure arguments in support of place-based policies, as outlined in Moretti (2010) and Neumark and Simpson (2015), the ability of these policies to produce the desired results has been seen in many arenas (Glaeser and Gottlieb 2008) as being very much open to question. As such, deregulating local land use in prosperous and growing places so as to encourage the out-migration of human capital from economically weaker to stronger localities, has been argued (Glaeser and Gottlieb 2008) to be a much more important local and national goal than encouraging locally focused place-based policies, which are more likely to build in a plethora of local inefficiencies into the nationwide economy.

Glaeser and Gottlieb (2008) argue that the case for place-based policies tends to be twofold. A first justification is on largely equity and egalitarian grounds, helping the residents of weaker places. A second argument concerns the inability of private investors alone to turn places around, and the consequent efficiency need for coordinated public and private investments in order to bring about local change. However, Glaeser and Gottlieb (2008) argue that the second justification assumes that there are agglomeration possibilities inherent in local places, and that these can be both identified and catalysed. In contrast, Glaeser and Gottlieb (2008) argue that except in a small number of small places, the chances of such policies being successful are very limited. Working against place-based policies are powerful forces of urban change, which localised place-based policies will have little influence over. They also argue that regarding the first justification, due to labour inflows and higher housing costs, there is also no guarantee that successful place-based policies will help the most needy in disadvantaged places, insights which mirror Winnick's (1966) arguments more than thirty years earlier.

Similar arguments were also central to the 2009 World Development Report *Reshaping Economic Geography* (World Bank 2009). This applied a similar type of logic to developing countries and economies which had gone through profound economic transitions in recent decades. The World Bank (2009) provided guidance to developing countries regarding how to think about infrastructure provision, land use, and the promotion of spatial concentration. The World Bank (2009) explicitly used the term 'space-blind' to highlight the importance of *not* thinking about any place-specific features of weaker regions when framing national policies, and instead prioritised policies aimed at promoting national efficiency via factor mobility and the building of agglomeration economies, rather than providing place-based support. The assumption here, based on an adaptation of old arguments put forward by Kuznets, Williamson and Rostow (Barca et al. 2021), was that while agglomeration-driven economic growth may initially lead to regional divergence, naturally over time it will tend towards regional convergence. We now know that the Kuznets-Williamson-Rostow-types arguments have no empirical basis (Piketty 2014), and the OECD-wide experience of recent decades points to interregional divergence becoming the norm rather than a temporary phenomenon, unless there are intentional national policy shifts designed to counter these divergence trends.

One of the most important elements of the World Bank (2009) report, and a fundamental break with three decades of World Bank thinking and advice, was the point that economic geography, and in particular, an advantageous configuration of regions and cities, were essential for promoting economic development, and that simply the structural and institutional reform priorities advocated by the World Bank for many years were, of themselves, were not sufficient to promote development.

However, some of the ways in which the World Bank argued this case, and in particular the emphasis on space-blind policies rather than place-based regional policies, were somewhat inconsistent or even self-contradictory. In particular, discussing the provision of transport infrastructure in so-called 'space-blind' terms was questionable, since such infrastructure is lumpy (Duranton 2018) and needs to be provided in specific places, locations which have to be decided in explicitly place-based terms. As such, spatial choices cannot be avoided (Duranton 2018). The World Bank (2009) also used post-reunification Germany an exemplar of out-migration driving interregional adjustment as support for space-blind thinking. However, Eastern Germany regions were the areas which had received the world's highest levels of domestic and European regional policy support, amounting to some €70bn per annum for thirty years (Enenkel 2021; Enenkel and Rösel 2022), support which was explicitly place-based in delivery. Germany had used these funds to undertake enormous and longstanding place-based investments over three decades focusing on building economic development and institutional capacity in weaker regions. It is very hard to argue that convergence processes in Germany are primarily a result of out-migration, as the World Bank (2009) description implies.

Importantly for our purposes, however, in the context of the original 'place prosperity versus people prosperity' framing, is that the logic of Winnick-Glaeser-Gottlieb-World Bank did not consider place-based dimensions as typically having any sufficiently significant intrinsic value at a national level (Davidson 2009), and indeed if anything, often reflected local rent-seeking and distortionary impacts via restrictive land use policies. The Winnick-Glaeser-Gottlieb-World Bank logic therefore advocates out-migration as the primary adjustment mechanism for economically weaker regions, including for poorer and lower skilled workers, and harking back to the President's Commission on a National Economic Agenda almost three decades earlier (PCNEA 1981, 1982), eschews any real role for place-based policies.

Following this emphasis on interregional labour migration as the primary adjustment mechanism, there are a series of well-known pieces of empirical research (Combes et al 2008, 2011; Gibbons et al. 2014; de la Roca and Puga, 2017; Dauth et al. 2018; Overman and Xu 2022; Card et al. 2021) which seek to identify the role migration plays in driving individual wage and earnings trajectories, and to link these migration-earnings trajectories to the effects of urban scale, structure, skills-profiles, sorting and assortativeness[1]. Although these papers all slightly differ in terms of their data and empirical methodologies, as a group the logic they deploy can be described thus. The models estimate how the characteristics of the individual migrant are related to the wages they earn after migrating, allowing for self-selected sorting and assortative matching, and at the same time, they use various techniques to interact the features of places with the observed migration and wage behaviour. Issues such as scale, local skills, sorting and assortativeness between people and between people and firms are all found to play a key role in earnings profiles.

A subset of these papers also use the individual-specific data on migrants (Combes et al. 2008; Gibbons et al. 2014; Card et al. 2021: Overman and Xu 2022) to try to distinguish between a 'place effect' from a 'people effect', in which area or place effects are identified from the movers, while all workers are used to estimate the effect of time-variant characteristics (Overman and Xu 2022).[2]. Card et al. (2021) find that in US localities, individual human capital accounts for around half of the observed wage differences, while another 35% is accounted for by assortativeness between workers. Meanwhile, on the basis of UK data, Gibbons et al. (2014) argue that the 'people' effect accounts for something over 99% of the observed spatial wage differences, and this 'people' effect is actually somewhere between 100 and 850 times larger than the 'place' effect, a much higher share than Combes et al. (2008) who found 'place' effects account for 13% of the wage variations (Card et al. 2021). However, de la Roca and Puga (2017), who use data for both migrants and non-migrants, also find that while migrants enjoy greater returns to experience and thereby higher wages relative to non-movers, the estimated additional value of experience acquired in large and prosperous cities does not differ between migrants to big cities, non-migrants staying within large cities, or migrants moving away from big cities (de la Roca and Puga 2017). In other words, the location-

[1] 'Assortativeness' refers to the phenomenon that as well as migration being influenced by self-selection processes due to human capital and skills, but that such self-selection is also accentuated by interactions between these self-selected migrants, including coupling, household formation, professional and residential clustering.

[2] In Combes et al. (2008), workers who move across areas between two time-periods provide the identification of the differences between areas over time, whereas workers that stay identify changes over time for their area. Combes et al. (2008) do not have individual-specific educational data, so any such variations are reflected in individual fixed effects.

specific beneficial effects of being in highly productive places accrues equally to people, irrespective of their mobility history.

Card et al. (2021) set the broad policy-framing of the issues in the light of the evidence, along tripartite lines. One argument is that high wage places are simply places where high skills individuals choose to move to live, and this self-selected spatial sorting gives rise to large differences in wages, which are largely a result of individual characteristics (Card et al. 2021). A second argument is that industry structures differ between places, and that labour migration can realise wage increases by moving to more advantageous industry structures (Card et al. 2021). A third argument is that local wage differences reflect endogenous factors such as population scale, density, local human capital stocks, as well as natural and human-produced amenities and climate (Card et al. 2021). In terms of policies, Card et al. (2021) argue that these three perspectives have different implications. The first argument, namely that human capital migration variations explain the spatial variations in wages, imply that little traction can be gained by local policies (Card et al. 2021). The second argument, namely that different industry structures play a role, implies that cluster-type policies aimed at restructuring local industries may be effective. The third argument, namely that endogenous factors are critical, implies that policies aimed at attracting highly-skilled workers may be effective (Card et al. 2021). The evidence of the various pieces of empirical work referred to here, all suggest that the first argument, namely local wage differences reflecting human capital migration and self-selected assortative behaviour, is the dominant driver of regional wage differences, and the possible room for successful policy interventions is therefore very small indeed.

3 Place-Based Arguments and Approaches

These various arguments and evidence in favour of space-blind thinking and against place-based policies ostensibly reflected mainstream thinking amongst urban and regional economists, at least in the US context, throughout the decades from the 1960s through to the eve of the Global Financial Crisis in 2008-09. However, during this period there had already begun the development of a tradition of thinking which took a different view, a view which would progress and eventually culminate in being given high level platforms of communication and debate at exactly the same time as the World Bank (2009) report first appeared.

3.1 The Historical Evolution of Place-Based Thinking

On the basis of his work on local housing policy, Davidson (2009) argues that the 'people versus place' dichotomy first posited by Winnick (1966) is illusory, and is at best unhelpful and more often than not, fundamentally obscures the realities of how people and places interact. The result of this is that policy mistakes are driven by assumptions of false trade-offs and an ignorance of the real interactions, trade-offs and complementarities between people and places (Davidson 2009). Yet, even prior to his time of writing, Winnick's types of arguments were already being questioned. In marked contrast to Winnick's (1966) logic, and spanning a similar timeframe, the work of Ben Chinitz (1961, 1966, 1990) pointed in a rather different direction. Chinitz' seminal work on the contrasting agglomeration experience of New York and Pittsburgh during the 1950s raised the issue of the supply-side of the economy, but in a very different manner from the framing underlying the Winnick approach. During the 1950s and 1960s, growth processes tended to be understood primarily from the demand side, with the supply side of the growth process framed almost entirely on the basis of marginal returns. However, Chinitz's argument was that at the time, the prevailing understanding of the supply side of the economy was very limited (Chinitz 1961 p.279), with no real understanding of how local economic drivers such as entrepreneurship, external economies and labour supply operate locally (Bolton 1992). Moreover, as Chinitz (1966) also understood from his work on multi-regional models, the national effect of a source of demand depends not only on its overall scale in the nation, but also how it is allocated across regions (Bolton 1992). His point about the supply side was that how the supply side of the local economy responds to either positive or negative demand shocks may differ markedly between places, and for different reasons, such that a simple catch-all type of analytical schema may not be correct. In a regional context, the Winnick-type of assumption that factor mobility will ensure that marginal returns would be equated everywhere was exactly that, an assumption, which could not be verified without a much more detailed understanding of these supply-side drivers (Bolton 1992). Indeed, Chinitz's own work (Chinitz 1990) implied that although local government 'growth management' policies may raise problems, in general they tend to be additive and complementary rather than competitive or zero-sum, and collectively contribute something positive to the nation's welfare (Bolton 1992). The arguments (Chinitz 1961, 1966) and observations of Chinitz (1990) directly contradict those of Winnick (1966), in that whereas Winnick argues that there is no real case for place-based policies, Chinitz's arguments provide an early framing of the case for place-based policies.

These counter-arguments were largely ignored by the PCNEA President's Commission for a National Economic Agenda. Back in the early 1980s, while many observers were not surprised that the Reagan administration used the Commission's various reports to dismantle federal interventions, many of these same observers were surprised that a Commission initially set up under the Carter administration would come to such conclusions.

The Commission's reports had some key early detractors and objectors, most notably the geographers Gordon Clarke and Jon Agnew.

Gordon Clark's critique of the work and reports of The Commission centred on how interregional migration was understood and described in comparison with non-migration (Clark 1983). Clark argued that place-based policies were more effective as a redistributive mechanism than the Commission had given them credit for, while labour migration was not nearly as effective as a redistributive mechanism as the Commission had credited it with being. The basis for his arguments was that place and community are important and reflect intrinsic national values, "… *and for many people, important social values that presume the necessity for a specific context in which personal interaction should take place . . . Mobility is a threat to the possibility of a viable social and political community . . . continual mobility implies personal alienation from the immediate community*." (Clark 1983 pp. 3-4). He advocates what he calls 'community integrity' as being paramount, and although he never actually defines this concept, as we will see later, it connects with many of the principles and issues subsequently raised by authors such as Robert Putnam (1993, 1996, 2020), Robert Sampson (2013) and Elinor Ostrom (Ostom 2005; Ostrom and Ahn 2010). The argument of Clark is not that interregional migration is bad per se, but that what is essentially forced out-migration is bad, because it deprives people of the choice to remain in the areas where they have built their lives. Destroying local community integrity destroys a national asset, and in all places, local governments do value community integrity, but in economically weak places, local governments rarely have the resources to help people to remain locally if they wish. The resources to do this lie with the central federal government, so if the central federal government chooses not to provide sufficient resources to support local government in maintaining community integrity, then in reality, local people are largely deprived of the choice as to what migration or non-migration behaviour to engage in, and the destruction of community integrity is effectively a nationally-sanctioned policy.

Related arguments were also put forward by Agnew (1984) who also adopted a sociological perspective and argued that for the 'place-based versus people-based' logic to have any veracity requires that people are considered as atomistic agents, and that the sociological underpinnings of place attachment are considered as no longer essential in the manner that might have been the case in previous eras (Agnew 1984). Indeed, the 1960s when Winnick was writing was a period in the USA when people were encouraged to migrate to seek work in better jobs and in more prosperous regions. Economic views were forward-looking and optimistic rather than conservative and nostalgic (Agnew 1984), and interregional migration was understood as playing a key role in both national and regional economic growth (Borts and Stein 1984). Agnew (1984) argued that by the 1960s and 1970s, concepts such as a local 'sense of place' were perceived of in the USA as being old-fashioned, and counter to modernisation trends. The idea that a 'sense of place' attachment has little or no value in comparison to out-migration were made explicit in the President Commission for a National Economic Agenda (PCNEA 1981), but Agnew argues that these ideas go even further back. Indeed, in his 1935 report on Country Durham, the Commissioner for Special Areas Sir Malcolm Stewart argued that *"It is beyond the power of man to turn the tide of trade whence it has ebbed. The Derelict Areas are the wastes and scrap left behind ... for the young people there is no alternative but movement"* (Agnew 1984; Carney and Hudson, 1976, p.10). As such, the notion that labour out-migration was the primary solution to the challenges facing depressed or economically weaker areas has a longstanding tradition, but one which treats people atomisticly, and ignores any sense of value in place.

However, as Bolton (1971) pointed out, as a counterpoint to these place prosperity and space blind arguments, there were already some longstanding second-best arguments for place policies based on the market imperfection of downward rigid wages in declining regions (Borts and Stein 1964, p.199; Bolton 1971) whereby rigid wages overstate the true opportunity cost of utilising human capital in the region. As such, in economically weaker places, the opportunity costs of place-based programmes may be lower than the prevailing wages imply (Bolton 1992). Similarly, where governments and utilities use average-cost pricing, in many situations in declining regions, marginal costs are below average costs and below supply prices, whereas in expanding regions, the marginal social cost is equal to or perhaps even above the price. In particular, for network-based infrastructures such as the provision of electricity, water, gas, transport services and other utilities, in situations where out-migration is associated with increasing insolvencies and bankruptcies which are randomly distributed within declining regions, localised regional decline increases both the marginal and average service provision costs for all remaining residents (McCann 2017)[3]. As such, public support to arrest local decline may be much more cost efficient than market prices imply.

Both of these arguments, which are essentially about capital utilisation, suggest that costs based on market signals may be higher than the opportunity costs of providing support in depressed regions (Bolton 1992). If we apply these notions to the out-migration arguments of Winnick (1966), then support for new infrastructure in an expanding destination region should only be provided if it is clear that the social marginal costs of this new infrastructure provision are below those of maintaining the existing infrastructure in the origin regions facing population outflows and population decline. Economic shocks are often short-term, while recovery is often a medium-term or long-term phenomenon, so long-term infrastructure provision decisions in the face of interregional migration patterns require certainty regarding the nature and scale of these long-term migration trends. Given the timelines and durability involved in infrastructure provision, which tends to be defined in terms of multiple decades, in many cases this cannot be known in advance, and requires long-term evidence of fundamental underlying shifts in economic geography. In terms of the Winnick (1966) out-migration argument, these second-best principles imply that current wage differentials between regions are often not a good signal of long-run structural adjustment trends, and infrastructure decisions based on such evidence may serve to contribute to, or exacerbate the out-flows, without sufficient consideration of the social costs involved.

In terms of the notion of 'place prosperity', however, it is possible to go much further than arguments about physical capital and infrastructures. Linking in with the ideas of Clark (1983) and Agnew (1984), Bolton (1992) argues that a sense of place, community integrity, and social capital are intertwined concepts and that a sense of place is itself a genuine form of social and public capital that is productive and that people are willing to pay for it (Bolton 1992). Michael and Becker (1973) argued that if individuals can affect the environment in which they live, they will substitute in favour of those aspects which enhance local productivity. Places with a strong sense of local community have their own preferences which local citizens use to enhance their own local sense of place (Bolton 1992). Residents use public and private networks and mechanisms and to invest in, and maintain a sense of place, and this is a form of social capital which has public good aspects to it, and of itself is productive. These investments take time and effort to construct, but are aimed at enhancing the quality of the local physical, natural and social environment, and these social capital-types of investments underpin the activities of, for example, chambers of commerce, business mentoring bodies, volunteers, civil society and third-sector groups, place-promotion and branding

[3] If such insolvencies all occur in exactly the same place at the same time, then the uneconomic parts of networks can be closed down immediately and redevelopment processes initiated via land assembly and land consolidation activities (McCann 2017). In contrast, where such insolvencies and bankruptcies occur randomly within a declining area, then closing parts of critical networks and redeveloping the area becomes very difficult, unless other solvent local residents and businesses are highly compensated for leaving, typically leading to hold-out problems. In growing cities, zoning and land use planning allow for the management of these issues, but in declining cities and regions, this becomes extremely difficult. Urban decline is not the mirror image of urban growth, such that managing urban and regional growth is far easier than managing urban decline (McCann 2017).

bodies, environmental protection groups, sports clubs, cultural, historical and heritage groups, and other such bodies and constituencies. These groupings are explicitly aimed at enhancing the local social capital of different forms, and the efforts required to engage in such activities are costly, either in terms of time or money, and especially in the face of free riding opportunities. Importantly, many forms of local economic development activities which emphasise cooperation and coordination are also of this nature. These activities are all aimed at overcoming both the 'tragedy of the commons' overdevelopment problems and also first-mover disadvantage underdevelopment problems, and powerful and diverse actions promoting a sense of place tend to contribute to a strong local social capital base. Importantly, strong local social capital is good for investors, as it tends to foster good governance and to build local business confidence. Sense of place social capital therefore has an intrinsic local value, and this value can be enhanced both by the self-interested or altruistic activities on the part of local citizens and stakeholders (Bolton 1992).

This still leaves open the question as to whether a sense of place social capital has a wider value beyond the immediate locality. In other words, does a local sense of place have any wider regional or national value which is additively aggregated from the multiple local sense of place values, and therefore is somewhat akin to local productivity? For this to be the case it requires that a local sense of place is intrinsically valuable to *other* places. However, whether the publicness of a local sense of place extends beyond purely the local community, and as such should therefore be a policy consideration for central as well as local government policy, also raises some other fundamental and challenging questions about the nature of social capital associated with a sense of place (Bolton 1992). In order to begin to answer this question we therefore need to consider the different aspects of value which may be relevant for a sense of place.

One key aspect of value which may be relevant for a sense of place is the *option value* of a place (Bolton 1992). For people who live in, or who have moved to another region, the option value of a sense of place in a particular region is important if these people consider the possibility to move to, or move back to, this location at a future date. This is very common for out-migrants to more prosperous regions, who wish to maintain the option that a movement back to their original region later on in life is a genuine possibility. Indeed such 'escalator' (Fielding 1992) type movements, whereby younger people move away to more prosperous regions but later in life, for family-related and household-composition-related reasons, move back to their original regions, are common. In addition, many people may also wish to move for lifestyle reasons at a later stage to other regions which are different from either their origin or employment-destination regions. Again, the knowledge that such regions have a strong local sense of place would be an important option value to these potential migrants.

Dijkstra (2013) argues that this option value is also very important for firms, with a broader portfolio of potential location options being very important for firms' long-term investment strategies. Places which become fundamentally economically weakened often cease to be realistic options for long-term investment due to the additional negative externalities associated with long-term decline. This limits the portfolio of long-term locational investment options for firms and creates serious firm-mover disadvantage problems for subsequent firm relocations. Industrial clustering due to a lack of realistic locational alternatives tends to lead to the building up of additional inefficiencies associated with congestion, and these types of 'bottleneck' problems also tend to store up other congestion-related and inflationary problems in other arenas of the economy. In some cases, the observation of clustered firms may therefore represent a lack of realistic alternatives, rather than anything related to efficiency gains.

Even for people who have no intention of ever moving to these regions, many will still hold a *pure existence value* for the sense of place in these places (Bolton 1992). This pure existence value might range from being simply a nostalgic perspective (Agnew 1984) to something more profound, as we will discuss later. However, it is likely that a pure existence value falls with distance from a place (Bolton 1992), simply due to declining familiarity or personal experience of a place, whereas the relationship between the option value and geographical distance is more shaped by the subsequent migration and re-migration expectations. We know that migration probabilities and frequencies typically decay with distance, so it is also likely that the option value declines with distance, but in a manner which is much less so than the pure existence value. Bolton (1992) argues that the proximity aspects of the option and existence values of a sense of place suggest that as policy domains these should be handled primarily by local, rather than national governments. Finally, these two option and existence values also provide a rationale which links *donor preferences* to supporting individuals in places, rather than encouraging them to leave (Bolton 1992). Efforts to enhance the livelihoods of people in disadvantaged places are themselves valuable to many outsiders, and this is not inconsistent with the preferences to assist disadvantaged individuals. Rather than a dichotomy as Winnick (1966) had framed it, helping people in disadvantaged places can be consistent with enhancing both people prosperity and place prosperity. If the most effective way to achieve this is via the public funding of local governments, then this can be justified (Bolton 1992).

These 'sense of place' intrinsic value issues relate to many aspects of the modern thinking and conceptual framing about the levels of local, regional and national wellbeing and multidimensional quality of life. The problem here is that option values, existence values and donor preferences regarding a sense of place in other regions traditionally have been understood by economists to send very weak economic signals, especially in comparison to regional wages. While they may to some extent attenuate the scale of the interregional wage differences as employment-migration signals, they are typically viewed as being unlikely to fundamentally alter these signals. Moreover, assessing these values empirically via, for example, self-reported wellbeing measures, is very problematic, particularly when set explicitly in the context of geography, due to many counter-intuitive outcomes which are a result of localised peer-group effects which heavily distort self-reported wellbeing measures (Rijnks et al. 2019). As such, taken together, these option value, existence value, and donor preferences principles of a local sense of place, are unlikely of themselves to form the basis of a national case for place-based policies, unless there are fundamental shifts in political economy of a country or an economic bloc. As we discuss later in this paper, the profound political shocks associated with so-called 'left behind' places implies that a fundamental rethinking of the political economy value of a sense of place is exactly what is taking place in many OECD countries in recent years.

3.2 Modern Intellectual Underpinnings of Place-Based Arguments

In 2009, at exactly the same time as the World Bank (2009) was advocating 'space blind' thinking, the case for place-based policies was given a major intellectual, empirical and political economy boost via a set of four high-level international reports (Barca 2009; OECD 2009a,b; CAF 2010), three of which focused on industrialised countries and one of which focused on industrialising and developing countries (CAF 2010). The two OECD reports (OECD 2009a,b) entitled *'How Regions Grow'* and *'Regions Matter'* for the first time brought to bear a barrage of empirical evidence across a range of OECD countries (Barca et al. 2012) which demonstrated that regional economic growth patterns and trajectories across OECD countries were far more varied and nuanced than the simple stylised regional convergence models had implied. Indeed, these two reports plus a third subsequent document, the *2011 OECD Regional Outlook* (OECD 2011), for the first time comprehensively demonstrated that the large city-dominated regional convergence experience of the USA, whose experience overwhelmingly dominated urban economic thinking worldwide, was in fact, just one of various different types of regional growth patterns and trajectories evident in OECD countries. These reports for the first time raised serious empirical doubts regarding the veracity of the primary assumptions and assertions embedded in numerous urban economics papers when discussing countries other than the USA. Moreover, even within the USA, the regional convergence mechanisms which were assumed to operate, and which were embedded in numerous research papers (Barro and Sala-i-Martin 1992, 1995; Blanchard and Katz 1992) up to the eve of the 2008 Global Financial Crisis, had already dwindled in many parts of America several decades earlier (Nunn et al. 2018; Muro et al. 2021). The doubts regarding the underlying nature of interregional growth mechanisms raised by this 2009-2011 suite of empirical reports were also added to by more recent research on long-term US place-based policy programmes, which also produced much more positive results than previous arguments had implied (Kline and Moretti 2014). In the years following the 2008 crisis, a decade and a half of more detailed OECD empirical data (OECD 2011, 2014, 2016, 2019, 2022; Garcilazo and Oliveira-Martins 2015, 2020; Garcilazo et al. 2021) has confirmed that regional growth patterns are far more complex and varied than previous analytical framings has implied.

Across OECD countries, if we consider the economic geography of growth, we see that there are eight different groups of urban and regional growth patterns which countries can be grouped into (McCann 2022). There is a group of countries whose economic geography of growth is dominated by large metropolitan areas while there is another group of countries whose economic geography of growth is spread across a diverse set of types of places, including small and medium-sized population centres as well as possible large cities. There is also a group of countries whose economic geography of growth is spatially concentrated into a small number of regions, whereas the final group of countries features growth spread across different regions. The economic geography of the growth of countries can be characterised across both of these dimensions, initially giving four different types of countries according to the economic geography of their growth (McCann 2022).

There is a group accounting for some 17% of OECD countries whose growth is metropolitan dominated and also spatially concentrated (France); there is a group accounting for some 27% of OECD countries whose growth is metropolitan dominated but spatially deconcentrated (USA, Australia); there is a group accounting for some 24% of OECD countries whose growth is made up of diverse types and sizes of places but which is spatially concentrated (UK), and a group accounting for some 31% of OECD countries whose growth is comprised of diverse types of places but is spatially deconcentrated (Germany). On the basis of these economic geography patterns, OECD countries are fairly evenly distributed into these four different types of growth typologies (McCann 2022)[4]. In addition, all four regional growth patterns and trajectories just outlined can also be classified according to whether countries experience interregional convergence or divergence. This therefore provides us with eight different types of regional growth typologies evident in OECD countries.

Today, some 45% of OECD countries experience interregional convergence processes, whereas 55% of OECD countries are currently experiencing interregional divergence (OECD 2023). Weighted by population, some 70% of people living in OECD countries experience interregional divergence (OECD 2023a). In the post-war period between the 1950s and the 1980s, almost all OECD countries experienced interregional convergence (Carrascal-Incera et al. 2020; Blanchard and Katz 1992), and in the decades prior to the global financial crisis, most OECD countries had experienced their minimum level of regional inequality (OECD 2023a). However, by the mid-2000s, in the years immediately preceding the global financial crisis, increasing numbers of countries for the first time started to experience interregional divergence (OECD 2009a, 2023a). In the aftermath of the global financial crisis, these regional divergence trends became increasingly evident across many industrialised countries (European Union 2014). Indeed, some countries, such as the US for example, very rapidly switched from interregional convergence to interregional divergence around the time of the 2008 crisis, and this divergence has persisted ever since.

Seven out of the eight different economic geography growth patterns and interregional growth trajectories described above sit well outside of the analytical framing of Winnick (1966), PCNEA (1981), Glaeser and Gottlieb (2008) and the World Bank (2009), whose a priori set-ups and subsequent conclusions are framed around growth being dominated by cities in the context of an underlying interregional convergence framework. In today’s advanced economies, such a framing would represent the experience of less than 10% of OECD countries accounting for less than 4% of the OECD population.

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[4] Countries whose governance systems are more devolved, such as federal states, tend to grow internally more evenly, and are less dominated by the economic growth of any particular region (Carrascal-Incera et al. 2020). However, these four spatial growth typologies evident across OECD countries also cut across institutional systems.

The fact that so much of the industrialised world has changed so dramatically from interregional convergence to interregional divergence severely questions spatial equilibrium principles (Glaeser 2008; Moretti 2010; Neumark and Simpson 2015) as a basis for thinking about policies. Indeed, given how central was the underlying convergence framework to the conceptual framing of the people-based and space-blind labour mobility arguments, the fact that convergence is now the exception rather than the rule in OECD regions and countries, in general fundamentally weakens the veracity of the space-blind assertions.

Importantly, the OECD empirical observations also provide fundamental empirical doubts regarding efficacy of labour out-migration as a primary mechanism for interregional adjustment in different settings. The convergence framework assumes that out-migration leads to local wage increases in the origin regions and local wage declines in the destination regions, but such an adjustment mechanism represents the experience of only a tiny percentage of OECD regions (OECD 2009a). Regions facing productivity growth almost entirely experienced population, employment and participation growth while those facing productivity declines faced population, employment and activity declines (OECD 2009a). Migration tends to be highly selective in terms of skills and human capital. The result has been that interregional migration between OECD regions tends to be primarily a divergence phenomenon rather than a convergence phenomenon. This is because in a divergence setting, while out-migration may stimulate the destination regions, it may further undermine the origin regions, thereby exacerbating divergence. The national aggregate effects of these adjustments on national productivity are unknown, because they depend on the balance between the productivity-enhancing impacts on destination regions and the productivity-depressing impacts on the origin regions.

This links directly to the issues raised by the Barca (2009) report, a report which recast place-based thinking and place-based policies in a new light, on the basis of advances in our understanding of different governance and institutional issues that have taken place in economics, sociology and political sciences in recent decades. The work of Barca (2009) emerged out of the challenges facing European regional policies, and the need for a more robust examination of whether there was a genuine economic, social and territorial case underpinning such a policy schema, beyond pure politics. Many aspects of the Barca (2009) report related to the European multi-national context and the logic of EU policies, but the analytical arguments and empirical evidence marshalled for the report were drawn from across OECD countries, international institutions, and from leading scholars and commentators worldwide. The Barca (2009) report not only built on prior work, but also extended and integrated previous lines of thinking.

The previous work of Chinitz (1964), Clark (1983), Agnew (1984), Bolton (1992), and others, had all questioned the extent to which the Winnick-type framework was a sufficient description of localities and communities on which to base principles for interregional adjustment mechanisms. In particular, the common thread which runs through the Winnick-PCNEA-Glaeser-Gottlieb-World-Bank tradition pays little attention to, or ascribes little importance to, issues such as a ‘sense of place’, assuming that such issues are either unimportant or largely transportable and can be easily rebuilt accordingly as people relocate. However, Barca (2009) argues that advances in social sciences made such assumptions often untenable. Building on the institutional, social capital and community-related work of authors such as Douglass North, Joseph Stiglitz, Anthony Atkinson, Daron Acemoglu, Dani Rodrik, Charles Sabel and Elinor Ostrom, Barca (2009) argued that our understanding of the role played by institutions in promoting or inhibiting economic development had been transformed in recent decades, and that local institutional and governance failures, many of which were triggered by economic decline, could exacerbate underlying economic weaknesses. In terms of institutional issues, local development traps can be caused by poor institutions and governance, a lack of alignment between institutions, non-collaborative or siloed governance, monopoly or monopoly institutions, or regions having the wrong institutions for the challenges to be faced. Barca (2009) argued that such development traps were widespread in many European regions, with many monopoly and monopsony types of local institutional settings undermining the ability of markets to respond to local development opportunities. In the EU context, the nomenclature of ‘place’, as used in the US ‘place versus people' debates, tended to be defined in terms of 'region' (Bachtler 2009) or even 'territory', although the meanings are largely equivalent.

Barca (2009) argued that such traps tended to develop in a context where regions had been repeatedly hit by adverse economic shocks over many years, turning any potentially collaborative and coordinated citizen behaviour into defensive and isolationist institutional responses. A dwindling of any sense of reciprocal obligations for the common good (Collier 2018), a feature which is essential for underpinning collaborative civic behaviour, often becomes entrenched in weak localities due to fear and the widespread experience of losses. Such adverse institutional reactions to adverse economic shocks in turn tend to undermine the ability of localities to turn themselves around, even in contexts where there is willingness on the part of many citizens for positive change. Barca (2009) argued that a place-based regional policy response would be necessary to help reform and open up such inhibitive institutional settings to competition and innovation for the common good. Typically, this would be achieved by using centrally-provided regional policy public funding to 'shock' and 'destabilise' the local institutional system. This is done in order to help to strategically re-align the incentives of the local private, civil society and public sectors, so as to be much more aligned and facilitating more coordinated and collaborative actions wherever needed. Regional policy in this sense can be used to both shock the local institutional system out of its torpor, while also underwriting risks, so as to encourage private investors, working alongside public and civil society bodies, to develop initiatives and programmes that can help to foster local development.

One of the key principles of the Barca (2009) was the notion of 'potential', in that local citizens wish to see their localities achieve their maximum potential. Barca argued that citizens are not systematically naïve, believing that all of their own localities can become another Silicon Valley, a Cambridge or a Copenhagen. Places differ in their economic potential, and local people know this. However, citizens are also typically deeply aware of what limits their potential, and in particular, the governance problems and institutional blockages that limit their ability to improve their localities in a realistic manner. This links to earlier ideas put forward by Hirschman (1970), who argued that consumers, citizens and members of organisations have two primary ways in which they can articulate and exercise their preferences for change in any particular setting; these are 'exit' and 'voice'. Out-migration is a form of 'exit' whereas staying and trying to reform a local system, via for example, political activity, volunteering, or civil society engagement, are all forms of giving 'voice'. It is this latter issue which is the focus of Barca's (2009) argument. The widespread existence of monopoly and monopsony positions and non-collaborative defensive behaviour on the part of institutions in regions which have been repeatedly hit by adverse economic shocks, means that positive external shocks from central government policy are often needed to destabilise an entrenched bad equilibrium and to allow for local development to proceed. As we discuss later, detailed evidence from the experiences of a series 'turnaround' cities[5] across OECD countries (Frick et al. 2023), in which long-term local collaboration, strategy, planning and coordination are essential features, gives real credence to Barca's arguments.

Importantly, such an argument also requires multi-level governance to be a key feature of any response, in that while central government may provide the lion's share of the financial assistance, it is local actors who must determine and drive the policy-making. Place-based policy making in the Barca (2009) framework can never be top-down or centrally-orchestrated in nature, because the whole incentive structure built into the policy logic must be one which enables and incentivises local actors to make local decisions on the basis of their best local knowledge and local engagement in order to maximise local 'ownership' of, and responsibility for, the programmes. Yet, this does not mean that policies must be based on localism principles. Nor does this preclude a role for central government, whose job it is to set out the overall framework within which local actors will take the leading roles and to provide sufficient financial

[5] https://golab.bsg.ox.ac.uk/knowledge-bank/resources/turnaround-cities-german-case-studies/
https://golab.bsg.ox.ac.uk/knowledge-bank/resources/turnaround-cities-anglo-saxon-case-studies/
https://golab.bsg.ox.ac.uk/knowledge-bank/resources/turnaround-cities-western-europe-case-studies/

assistance to change the local incentive structures. Rather, the Barca (2009) framework advocated multi-level governance arrangements as the most appropriate governance and institutional settings in which both bottom-up and top-down principles can underpin the place-based policy approach. The Barca (2009) report therefore reshaped place-based arguments as primarily institutional and governance arguments, in which issues such as ‘sense of place’, community integrity, social capital and institutional openness all become critical features. The Barca (2009) report also advocated a results-oriented or outcome-oriented logic to the design of place-based policies, allied with ongoing monitoring and evaluation activities in order to ensure clarity of objectives and a transparency of progress, as well as to provide the justification for local innovation and experimentation in public, private and civil society arenas in the search for success. Such features were argued by Barca (2009) to be essential for building trust on the part of both local citizens as well as local and outside investors.

In broader political economy terms, the importance of considering how to use public policy to overcome the local institutional failures inhibiting development relates to the notion that economic integration of any form cannot take place in a context where the same groups, or in this case the same regions, continuously and consistently lose out to other regions. Such a reality is incompatible with a democratic governance system, and this Barca (2009) argument therefore also interprets place-based regional policy as a compensatory system with explicitly enabling properties, rather than being primarily a transfer-dependency system. The importance of these compensation issues is discussed shortly below in the context of the work of Rodrik (2021), and indeed, Barca’s thinking was heavily shaped by the arguments of both Amartya Sen and Dani Rodrik. The importance of the Barca (2009) report is that it not only laid the foundations for much of the post-2013 reform of European regional policy, or more precisely, EU Cohesion Policy (McCann 2015; McCann and Ortega-Argilés 2013a,b), but it also helped to reformulate worldwide thinking on regional policy, and in particular, the relationships between markets, governance, innovation and places.

Conceptually, Barca’s (2009) institutional arguments rule out the longstanding assumption going back to Winnick (1966) that there was an inherent trade-off between so-called ‘people prosperity’ and ‘place prosperity’, and instead argued that most aspects of political economy are fundamentally about people *in* places, rather than people versus places. Indeed, the Barca (2009) arguments make the notion untenable that it is even possible in many cases to distinguish between ‘people based’ and ‘place based’ phenomena, and that such a dichotomy itself is mistaken and obfuscating. Places differ on multiple dimensions, as do their local economies, and therefore the ways to best help local and regional economies to perform to their potential will also differ in different contexts. Policy approaches must allow for this, and be designed to provide local actors, working in tandem with higher level actors, to identify and trial different approaches to fostering local development. Regional policy must never be a top-down centrally-orchestrated ‘dirigiste’ undertaking, but rather one which is a multi-level partnership aimed at incentivising and aligning the actions and abilities of the largest number of local actors and stakeholders. Building local social capital, and in particular building both bonding capital and bridging capital in the nomenclature of Putnam (2000), are essential features of place-based policies (McCann 2021), and these form part of wider set of policies aimed at enhancing the local environment for private investment and for civil and public actions. Understanding social capital and institutions is essential for making sense of the post-Barca place-based arguments and the subsequent work of international institutions including the OECD in Paris, the Brookings Institution in Washington DC, and the European Commission in Brussels. These institutions have served to promote this type of place-based approach, in which the interactions between local institutions, local governance and the incentives and activities of local people, all under the auspices of central government, are seen as being central to place-based thinking and policy-making.

4 People-Based versus Place-Based Framings?

The Winnick-type arguments assume that it is easy to distinguish between 'people-prosperity' and 'place-prosperity' influences, activities or outcomes, and therefore this ought to translate easily into policy-classification and policy-design schemes. In marked contrast, notwithstanding the empirical approaches referred to earlier, modern place-based approaches (McCann and Ortega-Argilés 2013c) argue that this is not the case, and that so much of life is characterised by 'people-in-places', rather than between people and places, limiting such simplistic classification schemes.

In order to understand this problem of classification, which in the case of people versus places is a profound challenge, we can consider what types of economic phenomena or policy settings which are entirely without the influence of place, in any sense. For example, regulatory changes in the rules governing internet-based advertising would be considered as an economic policy issue which is entirely without any geographical or place-based elements; this could be described as a genuinely 'space-blind' issue. Similarly, issues around the provision of satellites for telecommunications would be largely without reference to place, as would nationwide legal changes to firm ownership statutes, insolvency claim priorities, and regulations regarding share-trading rules. At the other end of the spectrum, the location of power stations, incinerator plants or wind turbine farms, which are based explicitly on natural resources and topography with little or no real recourse to the nature and structure of local economic systems, could be ascribed as being entirely place-based in nature. However, beyond these extremes, the majority of economic activities are a mixture of what some people might wish to term 'people-based' and 'place-based' influences, activities and outcomes. For example, many research and R&D-related private-sector decisions or public policies may be space-blind *by intention*, but in terms of *outcomes* are very much place-based, due to the location of the research centres being assigned the R&D investments or the winning of research grants. Similar arguments might apply to many aspects of the 'green' economy, whereby while the intention is to reduce carbon-consumption and CO_2 generation nationally, in terms of outcomes, many of these technologies and infrastructures require being invested in particular types of places, thereby changing local economic fortunes. In terms of the ostensibly space-blind national policy-making principles as advocated by the World Bank (2009), while the intention may be space-blind, the outcomes are rarely if ever space-blind or place-neutral. Indeed, for most type of national policy in arenas such as education, infrastructure, innovation, transport, entrepreneurship etc., the conditions under which national policies which are space blind *by intention* will also be space-blind in terms of *outcomes*, only really exists in situations where countries are internally very equal across all regions regarding most socio-economic indicators. Indeed, only a very few economic issues are genuinely space-blind by both intention and outcomes, making simple 'people-based versus place-based' dichotomies very difficult, if not impossible, to construct in many cases. As such, the assumption that these issues can be easily and readily partitioned and classified neatly into observable and understandable 'people-based' versus 'place-based' or 'people-prosperity' versus 'place-prosperity' dichotomies suitable for policy-making, is wholly unrealistic, even though commentators frequently and casually label issues as such.

In terms of regional issues, an empirical reassessment as well as a conceptual reassessment of the issue of interregional migration, an issue which central to the Winnick-type logic, serve to demonstrate the fact that classifying economic geography phenomena into ‘people-based’ or ‘place-based’ is not only almost impossible to do, but the practices currently employed for doing this are themselves profoundly confused.

In terms of an empirical reassessment of migration, nearly three times as many people migrate interregionally within the same country as those who migrate across borders between countries (Grover et al. 2022), and internal interregional migration rates are positively associated with national income levels, with interregional migration in high-income countries being double that for middle-income countries (Grover et al. 2022). However, in terms of an empirical reassessment of the purported ‘people-based versus place-based’ dichotomy, the notion that interregional labour mobility is the primary driver of interregional productivity differences in industrialised countries is questioned simply by the fact that observed interregional migration rates are so low. Even in industrialised countries, while some people do choose to migrate away for work, the vast majority of people in OECD countries choose to stay in their home regions for personal, family and social reasons, and the numbers staying at home are far larger than most people imagine. In turn, the tiny minority who do migrate interregionally for work display three common features across OECD countries, none of which suggest that migration is the major regional adjustment mechanism.

First, most migration moves are over short distances, typically within OECD-TL3 regions, or between adjacent or neighbouring OECD-TL3 regions nested within OECD-TL2 large regions. At the OECD TL3 small region level, with populations typically between 300,000 and 1.5 million people, high interregional migration countries such as Korea, UK, USA, The Netherlands and Australia, all exhibit gross interregional mobility of the order of 3%-5% per annum, while in most OECD countries, migration between OECD-TL3 small regions is typically only between 1% and 3% per annum (OECD 2022a). In the USA, which is noted for its mobility, about half of all Americans live within 30 miles of their birthplace while some 55% of all Americans spend most of their career in their childhood metropolitan area (Bartik 2020). Even amongst US higher education graduates, some 40% spend their entire career in their childhood metro area, and these percentages which stay in their lifelong domicile city vary very little between larger or faster growing metros and smaller or slower-growing metro areas (Bartik 2020). Annual movements between US metro areas and commuting zones are typically 2.5%[6], and US interregional migration rates have actually been falling for close to forty years (Frey 2023: Austin et al. 2018); today they are some 60% lower than was the case when Winnick (1966) was writing. Even around the time of the 2008 Global Financial Crisis, when Glaeser and Gottlieb (2008) and the World Bank (2009) were arguing for ‘people-based’ rather than ‘place-based’ policies, US interregional migration levels were already some 40% below the levels when Winnick (1996) first framed the purported ‘people prosperity versus place prosperity’ dichotomy. In terms of the countries which are the foci for the migration and sorting empirical models referred to above, interregional gross migration rates across OECD-TL3 regions (OECD 2022a) are 4.5% in the UK, 3.2% in the USA, 3.5% in Germany, 2.75% in France, and below 1% in Spain, while net migration rates at the OECD-TL3 small region level are typically just a fraction of 1% in each of these countries. Similarly, at the OECD-TL2 large region scales, typically with populations of some 3 million-10 million, migration rates are, unsurprisingly, lower again. Gross flows of people moving between OECD-TL2 regions are typically less than 2%, while net flows in these regions are typically only a very small fraction of 1%, and often around 0.1%-0.2%. In highly mobile societies such as the UK, interregional gross migration flows between OECD-TL2 large regions are only 2%, and net flows are of the order of 0.1%-0.2% (McCann 2023). Moreover, these UK interregional migration rates have barely changed in the last five decades (McCann 2016; Champion and Shuttleworth 2017). Even in the USA, gross migration rates across OECD-TL2 regions, namely US states, are little over 2% per annum and net migration rates across states are typically only a fraction of 1%. In other words, in terms of labour mobility, the USA looks much more like other OECD

[6] with five-year cumulative mobility rates at around 10% (Bartik 2020)

countries than many commentators surmise, even accounting for the fact that the spatial size of the OECD-TL2 and TL3 units in the USA are larger than in European countries[7].

Second, the young and university educated are by far the most mobile group. However, even amongst this group, the levels of migration are far smaller than is typically imagined. In the UK, where unlike most OECD countries, university students typically move away from their domicile region to study, some 60% of new university graduates return to their home region for employment (McCann 2016). Indeed, half of all new university graduates move less than 15 miles to employment (McCann 2016). Indeed, if they do move for work, they typically move over short distances, such that the numbers who migrate beyond their adjacent region for work is less than 10% of all university graduates (HECSU 2020).

Third, after non-migrants, the largest group of interregional migrants are *return* migrants, who return to their home region after a period living and working away in other regions. The share of migrants who are repeat migrants, who continue to move sequentially to higher and higher wage locations, is typically the smallest of any migration type, and far smaller than those who just move once.

The fact that interregional migration rates are so low, even amongst the most highly educated and skilled groups, raises major empirical doubts as to labour mobility being the key driver of interregional productivity differences. Indeed, given that interregional mobility rates are typically so low, such that the vast majority of people across all OECD countries remain in the same place or just move very locally within their own regions for most of their careers and lives, it therefore appears somewhat incongruous that the results from such tiny migrant cohorts of the population are argued to imply (Gibbons et al. 2014) that interregional migration plays such a dominant role in shaping regional outcomes in general. However, given that various econometric models explicitly contend that this is the case, it is important to consider the nature of these claims. This raises the question therefore, regarding, what exactly are these econometric exercises actually measuring or capturing?

In terms of a conceptual example casting doubt on the ‘people-based versus place-based’ framing, it is necessary to consider exactly how the notions of ‘people-based’ behaviour and ‘place-based’ behaviour themselves relate to the action of migration. As already explained, place-based arguments which emphasise a ‘people-in-places’ perspective, posit that there is no simple and clearly observable and understandable dichotomous distinction between so-called ‘people prosperity’ and ‘place prosperity’ or between ‘place-based’ and ‘people-based’ policies. Yet, the ‘people-in-places’ perspective does allow for the fact that there is something of a continuum of influences, which might be characterised as a varying balance between ‘people’ and ‘place’ influences, even if they are not easily or entirely separable. The

[7] In the USA there are 179 OECD-TL3 regions with an average population size of 1.84m, while in the UK there are also 179 OECD-TL3 regions, with an average population size of 375,000. The OECD-TL3 regions in the USA are almost five times larger in population terms than those in the UK, and some 40 times larger in area on average. Not surprisingly, US urban areas are typically at much greater distances apart from each other than European cities, and with greater commuting hinterlands, but much of the area between US cities is either rural or largely uninhabited. A simple πr^2 rule of thumb tells us that on average the centroids of US OECD-TL3 areas are approximately 6.4 times further apart than the centroids of UK OECD-TL3 regions. This implies that US migration moves across TL3 regions are much further than those for the UK. However, if we consider median area values, the picture looks very different. Similarly, if we consider median population values the picture also looks very different to the mean values. The UK OECD-TL3 regions have a median population value of 332,100 and a median area of 567 km^2, while for US OECD-TL3 small regions the median population value is 825,783 and the median area is 29,743 km^2. For comparison purposes, in the case of France, the median OECD-TL3 region population value is 528,738, in Spain it is 520,738, and in Germany it is 154,899. In terms of area, the median area of OECD-TL3 small regions in France is 5920 km^2, in Spain it is 8026 km^2, and in Germany it is 784 km^2. At 3.2% per annum, the migration rates in the 179 US OECD-TL3 regions are very similar orders of magnitude to the 3% (Fielding 2012) cross-border migration rates for the 48 English counties, which have an average population of 1.16m and an average area of 2714 km^2. At the larger OECD-TL2 regional scales, the UK interregional migration rates for the 12 OECD-TL2 regions are 2% per annum. With an average population of 5.6m, the UK OECD-TL2 regions are similar in size to the 6.6m average population for the 51 USA OECD-TL2 regions. These results suggest that US migration rates at different OECD TL2 and TL3 spatial scales are not very different from those observed in the UK, although the territorial level (TL) units are much larger in geographical terms. Details of the OECD territorial classifications are available at (OECD 2019a, 2022b)

extremes of this continuum might be thought of as representing ‘pure place-based’ influences on behaviour and ‘pure people-based’ influences, while everywhere in between these extremes reflect different balances of these different types of influences. The ‘people-in-places’ perspective obviously contends that most of life is lived at different points along the continuum within the extremes, rather than at either of the polar extremes. However, in terms of understanding the nature of positioning on this continuum, the migration issue provides an exemplar.

People live and work in particular places. If they live and work most or all of their lives in the place that they originally grew up in, alongside family and friends, the local environment in which they live will overwhelmingly shape their expectations, attitudes, aspirations, dialects, cultural references, and will also underpin the nature of their dominant social and professional networks. People brought up and living in different countries, or in regions in very different parts of the same country, will typically on average, therefore have different sets of expectations, attitudes, aspirations, as well as social and professional networks, depending on the economic history of the region. They will also earn different salaries depending on the types of jobs locally available, and even different salaries for the same type of work, in comparison to similarly qualified or experienced people in other regions or countries[8]. In social capital terms, these differing dominant context-driven expectations, networks and influences are understood as being fundamentally ‘place-based’ in nature, because they arise precisely from the context in which the person lives. In marked contrast, people who migrate internationally or across large interregional distances within the same country, break these local social capital relations in the origin region precisely by moving away. At the same time, moving to a completely new region typically also implies that they have little no social capital linkages in the destination region. As such, they have to rely entirely on their skills, experience and wits in order to survive and thrive in their new context[9]. The key point is that from a social capital perspective, long-distance interregional or international migrants are the closest behavioural manifestation of ‘pure’ people-based behaviour while non-migrants are the closest behavioural manifestation of ‘pure’ place-based behaviour. If such long-distance migrants are able to realise higher salaries due to their mobility, then this is a direct result of their individual-specific, *almost pure* ‘people-based’ actions, whereas the salaries earned by individual non-migrants are a result of almost pure place-based influences.

In terms of social networks and social capital arguments, interregional migrants, and in particular long-distance migrants, exhibit what might be described as pure people-based behaviour, while non-migrants exhibit what might be described as pure place-based behavioural outcomes.

The various pieces of empirical research discussed above (Combes et al. 2008; Gibbons et al. 2014; Overman and Xu 2022; Card et al. 2021) which use observed migration behaviour as a way of ascribing area or place effects, in reality use the most ‘pure’ form of people-based behaviour in order to ascribe values to apparently place-based phenomena, without ever seriously discussing the fundamental rationale and justification for this approach. In these econometric models, many of which reply on variance decomposition or two-way fixed-effects frameworks, ‘place’, or ‘region’, ‘area’ or whatever nomenclature is used for a locality, is typically treated via a fixed effect, or with a small number of additional structural variables such as population size, industry structure, concentration or specialisation, as is common in urban economic models. Some of these fixed effects may be interacted with individual-specific characteristics of the migrant, but however these models are specified, there still remains the fundamental

[8] Taxi drivers are the obvious example. Many international immigrants in OECD countries become taxi drivers. Their wages in OECD countries are far higher than in their origin countries, even though ostensibly they are doing exactly the same type of work as in their origin country. Indeed, driving taxis in Manilla or Bangkok is arguably more stressful and onerous than in Manchester or Minneapolis, due to the greater congestion and inferior infrastructure.

[9] The main exception here is where people move jobs within a corporate framework where the firm itself provides substantial social and network capital to the migrant which traverses regions and countries. Similar arguments also apply to the military.

question as to the justification for using the most extreme form of ‘people-based’ behaviour as a way of apparently measuring ‘place’ effects.

In these empirical models, what are labelled as ‘people’ aspects, in reality leave ‘place’ aspects as being little more than a cartographical construct with maybe a few topographical features attached[10]. This is a notion of place which is unrecognisable to human geographers, sociologists, political scientists, anthropologists, architects or planners, and only really corresponds to a notion place employed by some physical geographers. Given this construction, the fact that what is labelled as ‘place’ accounts for somewhere between 1% and 0.1% of local productivity differences (Gibbons et al. 2014) is again, no surprise.

Migrants, and especially international and long-distance interregional migrants, are the outliers in social mobility studies. As we have already seen, the vast majority of people either do not move, or if they do move, they only move over relatively short distances, and typically between adjacent localities, and this is true even amongst young university graduates, who are by far the most mobile skills and age cohorts (McCann 2023). Furthermore, we have long known that labour migration is very strongly related to human capital, age, and previous migration behaviour, so the fact that in these frameworks human capital and occupational status are so strongly related to the wages associated with migration is no surprise. Indeed, in the context of job-related migration, this is exactly what would be expected, precisely because this is the most extreme form of ‘people-based’ behaviour (McCann 2016). However, two of the findings by de la Roca and Puga (2017) using Spanish data are very important in the people versus place debate. De la Roca and Puga (2017) find that controlling for sorting and education, there are no unobserved innate ability differences between places; rather, it is working in cities of different sizes that produces earnings divergences, with higher educational returns to migrants. Moreover, the estimated additional value of experience acquired in large cities does not differ between migrants to big cities, non-migrants staying within large cities, or migrants moving away from big cities (de la Roca and Puga 2017). Following the arguments above, these observations would be interpreted by many observers as reflecting a pure place-based effect (McCann 2016), not a people-based effect. Where you work matters at least as much as who you are. If an individual non-migrant is fortunate enough to be able to spend most of their life and career in a prosperous region, the economic benefits they receive from happening to be in that location are largely a matter of precisely, fortune. This is entirely a place-based effect. The econometric models referred to above use migration data capturing pure people-based behaviour but then classify these mobility outcomes as representing place-based effects, while non-migration behaviour is interpreted as reflecting people-based effects. Once we consider the social capital frameworks which are so important for understanding place effects, conceptually, these econometric framings all appear to be entirely the wrong way around.

Addition confusion arises from the fact that how interregional migration itself relates to place-based and people-based influences also varies according to the distance of migration. In particular, using migration to ascribe apparent place-effects becomes even more unclear when we consider short-distance migrants. Short-distance migrants, who account for by far the largest group of interregional migrants in OECD

[10] Obviously, these empirical frameworks are also subject to the MAUP Modifiable Areal Unit Problem (Openshaw and Taylor 1979), in that as the spatial units employed get smaller, the shares of migrants will increase, and the observed spatial sorting will be amplified. The limit case here is where the spatial units are at the individual street level, or even at the individual building level. Hedonic equivalents of these frameworks (Overman and Xu 2022) will always be almost perfectly associated with skills, given that access to mortgages or the ability to pay housing rent depends crucially on incomes. But in such small spatial units, the notion of place has no meaning, other than as a cartographic delineation on a land registry or cadastre map. Moving to successively smaller spatial units of analysis means that apparently ‘people’ effects increasingly dominate apparently ‘place' effects to the point at which place effects cannot play any role, by definition. This is important, because when we use the frameworks to analyse very small areas such as neighbourhoods (Knies et al. 2021), what are defined as purportedly ‘place-effects’ or ‘area-effects’ will tend to disappear.

countries, reflect a mixture of people-based and place-based influences, in that, as well as individual human capital responses, it also depends on whether the migration involves the breaking of pre-existing social and family networks in the origin region and the need to rely purely on one's ability and risk-taking in the destination region. Many migrations of less than 30 miles or 50 km will involve neither of these things, in which case the behavioural influences and outcomes are also heavily place-based in nature as well as being people-based. In many individual cases, even conceptually attempting to distinguish between these issues becomes almost impossible, and indeed, the empirical models discussed above do not distinguish between these short and long-distance issues. However, these observations imply that the share of primarily people-based actions and outcomes is likely to be far smaller even than the tiny shares of people who migrate.

Along with a whole host of other demographic frameworks (McCann 2013), these various empirical models are very important for understanding the wage and prosperity effects *for individual migrants* of interregional migration. Yet, whether they tell us something fundamental or meaningful regarding the apparently dichotomous role of 'people versus places' in shaping regional prosperity differences, or the justification for apparently 'people-based versus place-based' policies, is an entirely different matter. As with Winnick's (1996) original contention, using these empirical exercises to argue that no place-based policies should be implemented risks throwing "*baby of spatial differentiation out with the bathwater of egregious past place-based policies*" (Duranton 2018)[11].

The various levels of conceptual confusion, allied with the fact that non-migrants so heavily outweigh migrants while most migrants only move over short distances, means that the findings of these various papers would appear to confirm that place-based influences and outcomes account for a far more significant share of regional performance variations than pure people-based outcomes.

Unpicking this conceptual confusion is also important for widening the discussions to include discussions which are cognisant of the importance of wider issues including market incentives, social capital, the urban surplus and institutional issues. As already mentioned, conceptually, Barca's (2009) institutional arguments rule out the longstanding assumption going back to Winnick (1966) that there was an automatic trade-off between so-called 'people prosperity' and 'place prosperity', and that many aspects of political economy are fundamentally about people *in* places, rather than people versus places. As explained above, the Barca (2009) logic makes it very difficult, or even impossible in many cases, to distinguish between 'people based' and 'place based' phenomena. This also implies that when we move from the framing of concepts to policy discussions, the place-based approach views the 'place versus people' dichotomy itself as being mistaken and obfuscating.

In order to see this, it is important to consider again the behavioural underpinnings of interregional migration movements or non-movements, and to understand how these relate to both the risk-taking and volition of individuals, and also the social capital benefits accruing to the self-investments made by migrants and non-migrants.

High human capital individuals are typically very important for fostering 'bridging' social capital (Putnam 1996) which builds links across numerous social, business and knowledge networks. In particular, they tend to contribute heavily to enhancing civil society, voluntary and philanthropic activities in areas such as heritage, culture, arts, and they also play important roles in political and policy engagement across the public, private and third sectors. All of these activities typically not only provide a 'glue' which helps to build the 'bonding' (Putnam 1996) capital binding communities together, but also improves the external appeal of a locality. In the econometric approaches described above which categorise data as simply 'place' or 'people', these social capital-type phenomena simply do not appear. However, aspects such as sorting and assortativeness contribute exactly to the building of these social capital, civic engagement and

[11] p.234

institutional aspects of places. As Summers (2018)[12] points out, for university educated individuals it is good to be located near other people who are also university-educated, but even if you are not university educated, it is also good to be near people who are college educated[13]. This is because of the enhanced local economic environment associated with these skills.

If one wanted to use Winnick's (1996) type of terminology, in destination regions, to the extent that these social and institutional capital dimensions are driven by in-migrants who also benefit from the phenomena, these could be termed 'people-based' activities and outcomes, but only to the extent that they accrue to the in-migrants. This is because these benefits accrue to the risk-taking migrants as a reward for their self-investments incurred in migrating, and the volition and energies involved in making these self-investments. Therefore, to the extent that the migrants are able to appropriate and internalise the returns to their risk-taking, these can be reasonably argued to represent people-based activities and outcomes. However, in these same destination regions, there are also typically far more local non-migrants who also benefit from the risk-taking activities and energies of in-migrants, including their sorting and associativeness behaviour. The benefits of social capital which accrue to the local non-migrants are benefit gains driven by other people, namely the in-migrants, but which also accrue to people who have not taken any migration-related risks, consistent with the de la Roca and Puga (2017) findings. This is a form of pure unearned income and unearned welfare gains, and a key component of the urban surplus, as reflected to different degrees in local land price appreciation (Collier and Venables 2018). Using the Winnick (1966) logic, this is fundamentally a place-based phenomenon, not a people-based phenomenon, because there is no person-specific migration-related volition or risk-taking on the part of the local non-migrants in the destination regions. This is especially the case for local land and real estate owners. Similarly, the opposite arguments apply for origin regions where out-migrants originate from. In such regions, the losses of social and institutional capital in origin regions associated with out-migration is a pure place-based phenomenon. These losses are incurred by those remaining in the origin regions, but they are due to the actions of other people, namely the out-migrants.

Analogous arguments obviously also hold for local productivity and wage effects (de la Roca and Puga 2017). Where wage increases accrue to migrants, these can reasonably be labelled as 'people-based' outcomes, whereas where local wage and productivity improvements also accrue to non-migrants in destination regions, driven in part by in-migration and also enhanced by the sorting and assortativeness of the in-migrants, then these are place-based outcomes. In person-specific risk-taking terms, the local non-migrant beneficiaries of these migration and sorting processes have done nothing to warrant these wage effects, and are in effect 'free riders' who enjoy unearned surplus income benefits. Conversely, in origin regions, the falling wages accruing to those who remain in the region are place-based effects, as they are due to the actions of the other people who out-migrate. To the extent that local investments in infrastructure, R&D and heritage assets enhance the local returns to education, migration and risk-taking, these investments also accentuate these place-based effects on the local people who have not funded these investments.

Of course, in destination regions there are also many local non-migrants who work hard, study assiduously and also contribute significantly to the enhancement of local social capital and civic engagement, and to the extent that these people benefit from such activities it may be possible to label these activities and outcomes as 'people based'. However, the crucial point is that the portfolio of opportunities available to them to both undertake, and also capitalise on, these types of activities, is heavily influenced by the in-migration, sorting and assortativeness of the in-migrants between each other and also between migrants and non-migrants. From the perspective of non-migrants, who always comprise the majority, this is a place-based public good phenomenon. These place-based effects are also accentuated according to the stock

[12] p.254

[13] An argument which is the largely contrary to that of Cheshire (2009).

of publicly-funded or privately-funded investments which citizens are able to access. On this argument, the fact that the estimated additional value of experience acquired in large cities does not differ between migrants to big cities, non-migrants staying within large cities, or migrants moving away from big cities (de la Roca and Puga 2017), is exactly as would be expected.

One of the reasons why recasting these apparent 'people versus place' issues is so important is to demonstrate that when we seriously consider people's behaviour within and between places, simply assuming that what is 'people-based' and what is 'place-based' is both readily observable and also easily operationalised in econometric models, is unrealistic in policy terms. In these models, what is apparently 'people' or 'people-based' and what is apparently 'place' or 'place-based' is simply asserted from the outset. Yet, once we begin to delve more deeply into which migration-related benefits and losses accrue to whom and why, the nature of the urban surplus and the public good aspects of knowledge, productivity and social capital spillovers, the case for these simplistic 'people versus place' policy classifications becomes rapidly weaker.

Jumping from such people-based versus place-based framings to policy prescriptions is not in any way nearly as straightforward as it at first appears. This is reflected in the typically vague and non-specific policy prescriptions which arise from these classification frameworks, which posit that promoting 'skills' has to be the priority for turning around weaker places, rather than implementing any explicitly place-based policies in weaker places. These recommendations are typically promoted without ever really explaining precisely which skills, and for whom are required, and how these are to be delivered effectively in an apparently space-blind way, and precisely when and why these specific skills are a potential solution for particular places. We know that education can help individuals adapt to changing circumstances (Glaeser 2018)[14], but specialised skills can also rapidly become obsolete with technological change, trapping people in places. Indeed, this is often what has happened in so-called 'left-behind' places. Moreover, even for those who do out-migrate, if they are lower-skills workers, there is little or no urban wage premium associated with out-migration, which instead is often associated with undertaking jobs of a lower skill component than was previously the case (Autor 2019), whereas the urban wage premium accrues to higher skills workers (Collier and Venables 20918, Autor 2019). Space-blind framings have little or nothing specific to say to these lower income groups, other than very general and vague policy insights which go no further than simply recommending the promoting of skills. In specific policy terms the people-based versus place-based framing has very little to say. Beyond the obvious point that improving education and skills is important for society per se, and also that changing skills profiles also typically takes a generation or even longer, as we have seen, the overwhelming skills-improvement emphasis recommended by these 'people versus place' frameworks gets us almost nowhere in terms of the practicalities of addressing the public good and urban surplus types of issues which are at the heart of the place-based problems.

Nor in practical reality is there a people-based versus place-based tension or trade-off which needs to be considered. Simple OECD-wide comparisons of public expenditures under the heading of 'people-based' policies such as education and skills, versus those under the heading of 'place-based' policies aimed at enhancing economically weaker regions, demonstrate that the former people-based policies dwarf place-based policies, typically by a ratio of the order of 50:1 (McCann 2016). As such, in OECD countries, there is no meaningful or finely-balanced 'people-based versus place-based' trade-off when it comes to the institutional realities of public policy, irrespective of the methodological framing terminology favoured by researchers. As well as conceptual confusion, the 'place-based versus people-based' framing is also unrelated to either the practical mechanics of specific policy insights or the institutional realities of policy settings.

Importantly for our purposes at this stage, these empirical and conceptual arguments all raise fundamental doubts as to whether the 'people prosperity versus place prosperity' framing and the justification for

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'people-based versus place-based' policy approaches are in any way meaningful. The migration-wage analyses papers outlined above are very important pieces of research, but whether their migration-related observations are genuinely a measure of the role of 'place' versus 'people' in explaining regional inequalities is entirely debatable. These models contain no demand-side in their set-up, no distinction between migration 'push' and 'pull' factors, and no economic history. Nowhere evident in these models is the value of any social capital or 'sense of place' in shaping people's decisions to remain in their locality rather than to migrate, irrespective of changes elsewhere. Nor are the induced effects on local household formation or ageing considered (McCann 2017). Neither are any of the institutional and governance development trap-types of issues discussed here evident in these models, and nor is there any consideration of the local outcomes of numerous previous place-based public policy investment decisions, irrespective of whether they were apparently space-blind or place-based by intention. To argue that all of these features in effect play no real role in the fortunes of places in comparison to education is clearly open to debate[15], and cannot itself be demonstrated or determined on the basis of these types of empirical frameworks.

To commentators discussing place-based challenges, the simple 'people prosperity versus place prosperity' or 'people-based versus place-based' dichotomy of Winnick (1966) is therefore seen as being no more than a 'back-of-the-envelope' conceptual construct initiated at a time when economists knew little or nothing about how production and consumption functions were related to the nature of technology, knowledge spillovers, social capital, or the role played by economic geography, governance and institutions in shaping economic development. In particular, our understanding of the ways that what Chinitz (1961) referred to as the 'supply-side' of the regional economic system, spanning not only issues such as entrepreneurship, external economies and labour supply, but also innovation, finance and governance, are far more nuanced and sophisticated than what was understood some sixty years ago. Given that today all of these issues are seen as being so central to development trajectories, place-based analysts consider it rather surprising that the results of models which are conceptually little more advanced than the original 1960s framing, garner such attention, especially from a policy perspective. Nowadays our understanding of how the interregional economic system works is vastly more nuanced and sophisticated than the overly simplistic framings dating back to the 1960s imply.

[15] See the Comments and General Discussion in response to Benjamin Austin, Edward Glaeser, and Lawrence Summers, "Jobs for the Heartland: Place-Based Policies in 21st-Century America", *Brookings Papers on Economic Activity*, 244-245, Spring.

5 Social Capital, 'Sense of Place' and Interregional Migration

It is possible now to consider the various issues raised for social capital, 'sense of place' and institutional issues by comparing place-based with space-blind frameworks in a place-based context. This can be done by referring again, but also moving beyond, the classic factor mobility interregional adjustment mechanisms which were so central to the Winnick-PCNEA-Glaeser-Gottlieb-World-Bank lines of thinking for more than five decades. Out-migrants from weaker regions will generally lead to a depletion of any local 'sense of place' type of social capital in the origin region because many will tend to be more skilled than the average worker from the origin region. At the same time, their inflows will also raise the possibility of enhancing the local 'sense of place' social capital in the destination region. However, what is not known is whether the marginal rate of depletion of social capital in the weaker region is more than compensated for the by the marginal rate of enhancement of sense of place social capital in the more prosperous regions. In terms of national capital values, this forces us to consider how the sense of place in an economically buoyant destination region relates relative to that in an economically weaker origin region, and to what extent the enhancement of a sense of place in a destination region counterbalances the depletion of sense of place and social capital in an origin region.

If the rate of depletion in the origin region is greater than the rate of enhancement in the destination region, then the total national sense of place social capital will have fallen as migration proceeds, whereas if the rate of depletion in the origin region is lower than the rate of enhancement in the destination region, then total national sense of place social capital will have increased as migration proceeds. In terms of wage signals, if the underlying nature of the interregional economy is one of convergence, then out-migration increases total national output and productivity. Yet, whether this is also reflected in terms of social capital is arguable.

In a standard one-sector model (Borts and Stein 1964), labour out-migration increases origin region wages at the margin and reduces destination region wages at the margin, until labour migration ensures that these regional wages are equalised. In this Winnick-type of framework, out-migration is likely to lead to higher wages and depleted social capital in the origin regions, and falling wages and social capital enhancement in the destination regions. However, as we have already seen, already for many years, rising local origin wages in response to out-migration was the experience of only a tiny number of OECD regions. In addition, if a 'sense of place' type of social capital has positive public good features, the shifts in social capital are likely to attenuate or reverse the expected wage changes derived from one-sector models (Borts and Stein 1964; Winnick 1966), whereby depleting social capital will be associated with falling wages in origin regions and rising wages will be associated with enhanced social capital in destination regions. This is akin to the underlying nature of the interregional economy being one of divergence, whereby out-migration will be associated with enhanced wages and social capital in the destination regions and falling wages and declining social capital in the origin regions. Indeed, this has been the longstanding experience of many OECD regions for decades. As Larry Summers points out, for a given regional capital stock and decay rate (McCann 2013), the economic argument that when people out-migrate from a region this will itself cause local wages to go up due to the local labour scarcity may be just wrong (Summers 2018). In this case, arguments encouraging out-migration from depressed regions as a primary solution to local problems appear to have no clear basis (Summers 2018)[16].

The national aggregate effects of these local social capital changes are unknown ex ante, although the interregional distributions can be readily identified. Yet, how society should consider these social capital and sense of place distributions can also be better understood by discussing some questions about citizens' preferences and actions.

As already mentioned, Hirschman (1970) argued that consumers, citizens and members of organisations have two primary ways in which they can articulate and exercise their preferences for change in any particular setting; these are 'exit' and 'voice'. Out-migration is a form of 'exit' whereas staying and trying to reform a local system, via for example, political activity, volunteering, or civil society engagement, are all forms of giving 'voice'. An important aspect of a strong local sense of place is that this itself facilitates with giving 'voice'. For many people 'sense of place' and local 'ways of life' (Summers 2018b) reflect profound levels of attachment to a locality, which economists have traditionally not given sufficient attention to. However, remaining in a locality is not necessarily associated with enhanced voice. As Barca (2009) explained, when localities become entrenched in development traps, the ability for citizens to be given voice is diminished, and often entirely undermined. In contrast, for out-migrants, they are often encouraged to migrate to places which also have a strong sense of place, and away from places where citizens feel that they have little or no possibilities for giving voice. For high human capital individuals, especially, migration moves for improved wages are often also at the same time migration moves towards stronger social capital localities which facilitate voice in the destination region. The place-based public good aspects of social capital discussed above mean that civic engagement is likely to be highly correlated with urban surplus wealth. Indeed, many of the most prosperous cities experiencing the in-migration of highly skilled workers are also the typically the same places with the highest levels of citizen and civic engagement. In marked contrast, areas of out-migration tend to face depleted civic engagement and depleted possibilities for giving voice. As Fiona Hill, former US Presidential Security Advisor explains from her own childhood growing up in the mining communities of County Durham in northern England, as a local economy declines in response to economic shocks, local communities start to experience chronic decline manifested by a breakdown of civic engagement and disconnection from any means of citizen representation and voice (Hill 2022). Local government itself becomes weaker and less able to respond to, or promote, the interests of the community. What is critical for the local community is having a collective voice (Hill 2022), and wherever possible, leveraging off local 'anchor' institutions can be important in this regard.

The place-based response to these issues is that the focus of policy should be on rebuilding these public good types of issues associated with social capital, civic engagement and the enhancement of public and private governance. As well as improving the wellbeing of citizens, such environments tend to be attractive for investors, because they are typically characterised by good governance, coordination and well-considered policy settings. Enhancing these issues can only be done with a comprehensive and strategic approach which involves many stakeholders, in order to ensure that stability and longevity are clearly observable to private investors. Bolter et al. (2022) argue that there are various common features for making place-based policies effective. Ensuring local credibility and political profile of the policy amongst local citizens is essential, and this requires real 'buy-in' from a diverse range of key stakeholders embedded in the region who will build collaboration for scale and longevity is essential (Bolter et al. 2022). Scale can be understood as depth, breadth and sustainability, and replication needs to be adaptive to the local context via a process which seeks to identify what works in each locality (Bolter et al. 2022). Having a convening mechanism which keeps partisan politics out of the process is critical for facilitating collaboration for the long-term, not just the short-term (Bolter et al. 2022). This also requires honesty regarding the challenges ahead, and why particular prioritisation choices are made. Giving agency to local stakeholders is needed for resilience and sustainability, but as far as possible, this also needs to be constructed on

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existing systems, rather than duplicating them or trying to 'reinventing the wheel' (Bolter et al. 2022). Monitoring progress and outcomes is essential for all stakeholders, in order to draw out the most useful lessons and to ensure trust in the process. Importantly, where researchers are involved in assisting the place-based projects, it is often necessary for them to adapt their research to better suit the needs of the those involved in the policy programmes. In particular, identifying what works in other contexts and why is important for policy-learning is important (Bolter et al. 2022).

Improving and energising the possible collaborative links between the public, private and civil society spheres in a locality maximises the potential opportunities and chances that private sector investors will seek to re-invest in a locality. In simple portfolio investment terms, falling wages and falling land prices in a locality ought to provide new opportunities for reinvestment by investors with a preference for potentially high yield assets. However, the fact that out-migration of higher skilled and younger workers tends to be associated with depleted social capital further limits the ability of even high yield investors to identify potentially profitable business cases, because all of the institutional and governance architectures required to facilitate such investments will themselves become increasingly depleted. These problems are especially acute and observable regarding hard capital assets in local land markets, whereby local capital and infrastructure dereliction and dilapidation means that real estate investors are increasingly unwilling and unable to shoulder the additional up-front costs of land decontamination, reclamation, and rehabilitation, necessary to make investments viable. However, in 'left-behind' places these problems are also just as pernicious in terms of 'soft' assets, whereby business associations tend to lose leverage due to the out-migration of key people and companies providing on-the-job skills-training, business mentoring, business networking and also due diligence activities, while local government also tends to be undermined both by a declining fiscal base and a weakened ability to provide representation for the locality[17].

[17] On this logic, for economically weaker places, Winnick's (1966) argument against place-based funding being associated with 'pork-barrel' lobbying, can also be interpreted as perfectly rational behaviour on the part of economically weaker places striving to maintain local representation at higher institutional levels in the context of a declining market-based influence.

6 The Modern Case for a Place-Based Regional Policy

From a place-based perspective, the modern case for regional policy is threefold, namely (i) the efficacy of the democratic market-based system; (ii) its performance and effectiveness; and (iii) its integrity and longevity. The notion of a 'democratic' market-based system emphasises the fact that markets work well when the institutional and governance settings in which the market operates are well-designed and well-functioning in terms of private and public participation.

(i) The first case for a place-based regional policy is that it will help with the overall efficacy of national markets and policy schema, and this is even so in cases where national policies are ostensibly space-blind by intention.

National policies which are space-blind by intention and delivered in a largely top-down centralised manner, are only likely to work in countries which are already interregionally broadly equal on a wide range of socio-economic indicators, including productivity, wages, educational attainment, public investment, professional networks, social capital and civic engagement, aspirations and expectations, quality of life, health and life expectancy. The reason is that policy-makers always have a representative context in mind when framing and designing policies, and especially in centralised governance and unitary states, the representative context is typically the capital city area where 'thought-leaders' and policy-makers are primarily resident. This is only broadly representative of the country as a whole in situations where countries are interregionally very equal, as is the case in countries such as Finland, Austria, The Netherlands, Australia, New Zealand and Japan. In such cases, the outcomes of any national policy are likely to be broadly similar across all parts of the country, and the national policy effect is therefore the aggregation of broadly similar regional and local effects. This also facilitates policy monitoring and evaluation.

In marked contrast, in countries which are very unequal interregionally, the representative region that policy-makers have in mind when framing policy settings is wholly unrepresentative of much of the country in general. Even if the national policy is ostensibly space-blind by intention, almost certainly this will not be the case in terms of outcomes, and this also makes the monitoring and assessment of the policy difficult, if not impossible, because the spatial differences in the intended outcomes are never made explicit ex ante. It is always possible to find places where, ex post, the purportedly national policy 'works' and places where this is not the case, and typically this is blamed on local factors and local actors, whereas in reality, it is a problem of the ex ante lack of acknowledgement that ostensibly space-blind policies by intention are typically not space-blind in terms of outcomes. An explicit place-based framing from the outset would make these likely geographical differences in outcomes transparent right from the outset, and this clarity also facilitates both ongoing monitoring and ex post evaluation, with different ex ante expectations in different contexts. In countries such as the UK, USA and Italy, where there are large interregional variations across all of the various socio-economic dimensions outlined above - including productivity, wages, educational attainment, public investment, professional networks, social capital and civic engagement, aspirations and expectations, quality of life, health and life expectancy - few 'national' policies which are ostensibly space-blind in intention, are likely to be successful across all regions, simply due to regional heterogeneity.

Ironically, place-based policies are often necessary to make ostensibly space-blind policies work more effectively.

The policy recommendations from what are ostensibly space-blind policies by intention, although rarely so in terms of outcomes, focus on so-called people-based education and skills enhancement. Yet, the public good and social capital arguments outlined imply that the ability of education and skills-enhancement, *per se*, to bring about any positive prosperity change locally in weak places, itself becomes progressively depleted, precisely as the social capital and public good aspects of the locality are undermined. This is a clear example of where the purported ‘people versus place’ dichotomy becomes largely meaningless. The reason is that the efficacy of so-called ‘people-based’ responses to bring about positive local change depends on the quality of the local public realm. Citizens know this, and this is what shapes local aspirations and expectations. It is the transformation of the local public realm which is the focus of place-based policies. This is not in any way in contradiction with enhancing local education and skills provision, rather the opposite. But unless the local public realm is reinvigorated, the evidence of the last thirty years is that most private investors will typically eschew re-engagement with these types of places. As Baily (2018) notes[18], left-behind places in Europe do not look like those in the USA, and the reason is largely due to the ameliorating presence place-based regional policies. In the USA, where ostensibly ‘people-based’ solutions have been much more strongly favoured both by economists and politicians than in the European context, the private sector for a long time was expected to provide the local redevelopment responses largely alone, with little or no place-based support in comparison to the European context. The results of this are clear to see.

(ii) As we have already seen, the second argument for place-based regional policies concerns the performance and effectiveness of the democratic and market-based system to self-correct. This arises from the Barca (2009) principles, namely that regional policy can act as a catalyst for helping places get out of local development traps. Public resources can be used as both a ‘carrot and stick’, to destabilise local development traps while also providing risk insurance for attempts at changing local trajectories which involve innovation on the part of public, private and civil society actors.

This institutional argument is central to the place-based approach, whereby policies for economic development must be tailored to explicitly address the local challenges (Barca 2009). However, this does not mean that regional economic development policy thinking should be communitarian in nature and design, but rather that mobilizing local actors is a key part of the solution to unblocking local development traps (Barca 2011). The valuing of mutual obligations, the enhancement of a local sense of place allied with the development of a local common sense of purpose for action (Mayer 2018) are all essential for bringing about societal change for the common good. The reason is that involving a wide array of stakeholders in local development policy approaches increases the chances that a wider range of investors and entrepreneurs will come forward with new policy ideas and suggestions for practical actions and interventions, rather than policy captured by the same ‘usual suspects’ (McCann 2021). This widening and deepening of the knowledge and engagement networks participating in the efforts to forge a greater common purpose enhances local due diligence processes. More different perspectives and attention given to a place from a greater number of networks of private, public and civil society actors, is also likely to make a place more attractive for investors. As such, the modern place-based approach argues that a key failure of traditional top-down and centrally-orchestrated sectoral approaches to regional development, is that they ignored the critical roles played by the building of local social capital and also the problems associated with local monopoly and monopsony incumbents blocking development trajectories (McCann 2021). As such, the place-based approach argues that while growing cities and agglomerations were obviously extremely important for promoting national growth, at the same time there was no reason why these city-related growth processes, of themselves, would galvanise economically weakest places (Barca 2009; McCann and Rodriguez-Pose 2011; McCann 2021). This is simply because space-blind approaches

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just choose to ignore the institutional and governance problems faced by weaker places associated with these same growth processes (McCann 2021). In other words, place-based arguments consider that top-down, centrally-orchestrated and largely space-blind governance systems and policies were just as likely to promote interregional divergence as they were long-run convergence (McCann 2021). In contrast, in order to foster more equal and broadly-based development, the place-based approach recommends that local and regional development policies move away from traditional centralised and top-down sectoral approaches and instead move to much more bottom-up and locally-tailored strategies (McCann 2021).

For modern place-based policies to have a chance to be effective, modern insights regarding these institutional and governance issues must be built into the design and delivery of the policies. The differences between modern place-based approaches and traditional top-down regional policy architectures are outlined in Table 1.

Table 1. Traditional Regional Policy Versus and Modern Place-Based Approaches to Regional Policy

	Traditional Regional Policy	Modern Regional Policy
Objectives	Compensating temporarily for location disadvantages of lagging regions	Tapping into underutilised potential in all regions to enhance development in all regions
Unit of Intervention	Administrative units	Functional economic areas
Strategies	Sectoral approach	Integrated development projects
Tools	Subsidies and state aids Hard capital (infrastructure)	Mix of hard capital (infrastructure) and 'soft' capital (business support, credit availability, networking systems)
Actors	Central government	Multi-level governance involving different tiers or level of local, regional and national government working in partnership and alongside the private and civil society sectors

Source : McCann (2021), adapted from OECD (2009b) and McCann (2013)

The main differences between traditional regional policy deployed during the second half of the twentieth century and modern place-based approaches to regional policy are in terms of the objectives; the units of intervention; the strategies; the tools; and the actors (OECD 2009a; McCann 2013, 2021).

In terms of the **objectives**, traditional regional policy in many countries amounted to temporarily compensating economically weaker regions for locational disadvantages in a context where interregional convergence was almost universal in advanced economies (Carrascal-Incera et al. 2020), whereas modern place-based policies emphasise tapping into under-utilised potential in under-performing regions by unblocking and correcting for local institutional development traps (McCann 2013, 2021).

Traditional regional policy tended to be framed on the basis of primarily sectoral policies and deployed according to **administrative units** which facilitated direction from the centre. In other words, the policy resources tended to be focused on specific industries or firms in particular places with funding made available for activities such as training, procurement, or capital acquisitions, and the deployment of the resources tended to be channelled via existing local government bodies (McCann 2013, 2021). In contrast, modern place-based approaches aim to operate at the level of functional economic areas – which may involve different jurisdictional units working together - and to foster integrated development projects in which resources are targeted at a range of actors across different sectors (McCann 2021). Cross-jurisdictional collaboration is often critical, given that institutional fragmentation can totally undermine agglomeration-related effects (OECD 2015).

The **strategic emphasis** tends to be more on knowledge-transfer activities allied with policy-learning and policy-transfer processes, linking entrepreneurs and innovators to key knowledge channels, peer-to-peer mentoring, supply chain networking, enhanced financial literacy etc. (McCann 2021; McCann and Ortega-Argilés 2013c). In order to do this, whereas traditional top-down regional policy was based on sectoral subsidies and state aids, modern place-based approaches aim to deploy a 'carrot and stick' mix of incentive and conditionality policy **tools** focussing on the enhancement of both hard and 'soft' capital (McCann 2021).

Finally, whereas traditional regional policies were top-down in nature and designed and delivered by central government, modern place-based approaches aim to dovetail both bottom-up and top-down actions initiatives spanning the private, civil society and public sectors' **actors**, something which can only be done with genuine multi-level governance arrangements (McCann 2021). A critical departure point for modern place-based policies is therefore to analyse and understand precisely how the nature and quality of the local institutional set-up creates or inhibits incentives bottom-up engagements and initiatives[19].

(iii) The third argument for place-based regional policies concerns the maintaining of the integrity and longevity of the democratic market system as a whole. This argument depends on the compensation principle, and this relates to the issue of how a local 'sense of place' is valued by other places in the same country (Bolton 1992) in the context of the need for robust system of reciprocal and mutual obligations for the market state to effectively function. As Barca (2009) explained, an integrated market system cannot be sustained indefinitely in a democratic setting in a situation where the same regions continue to lose out, ideas recently also articulated extensively by Martin Wolf (2023). All sections of society perceive the need for reciprocal obligations, and this is especially so in the case of weaker constituencies who rely on a mix of the state and civil society for support (Collier 2018). In contrast, high income earners increasingly perceive the importance of these reciprocal obligations to have diminished, except for the provision of security and asset protection. In recent decades, the growing partitioning between higher and lower income groups has been increasingly manifested in terms of regions and places, and this has also fractured and frayed the common sense that mutual and reciprocal obligations are being upheld. In many countries, this fracturing and fraying is itself explicitly geographical in nature, and these institutional pressures are dangerous for any national state polity precisely because governance and political systems are geographical in nature.

Mutual and reciprocal obligations underpin market societies, and in recent decades, these have been increasingly undervalued, as have been many localities and communities, as perceived by their residents (Collier 2018). The economic geography transitions of recent decades, which in many countries have been dominated by interregional divergence rather than convergence, have increasingly frayed the social contracts underpinning states. If the same groups or communities-in-places continue to consistently lose out from these transitions, then in the end these groups will react against the system in a form of democratic mutiny (Collier 2018), using the ballot box as the most powerful way that their sense of grievance can gain traction (Rodriguez-Pose 2018). This mutinous geographical behaviour has been very evident in various OECD countries in recent years with Brexit, the election of President Trump (Muro et al. 2021; Muro 2023), the Gilets Jaunes, and other similar voting phenomena in EU countries (Dijkstra and Rodriguez-Pose 2020) including Austria and Italy (McCann and Ortega-Argilés 2021). In each case, a key feature of the voting patterns is that the geography of growth and divergence closely corresponds to the spatial patterns of anti-establishment voting (McCann and Ortega-Argilés 2021). The reason is that the correspondence between the spatial patterns of mutinous voting and the emerging regional growth and prosperity trajectories reflect a profound 'geography of discontent' (McCann 2020), something which has been observed in different

[19] One of Winnick's (1966) original criticisms was that so-called 'pork-barrel' politics governed many central-local funding decisions, a process which could never produce anything like efficient outcomes in terms of the allocation of economic development support. However, there is another way to view this. Central-local political and governance relations are typically a series of bilateral monopoly problems, and in order to ensure that bilateral monopoly relations work efficiently, such two-way transfers of funds are essential in order to avoid excess consumer or producer surplus constraining activity. On this argument, these types of payments are essential for the system as a whole to work effectively. Similar issues were raised in the EU context by Barca (2009), and they also connect with the compensation arguments put forward by Rodrik (2021).

parts of the world including the UK (McCann 2018), Europe (Dijkstra and Rodriguez-Pose 2020) and the USA (Hendricksen et al. 2018). Detailed empirical evidence (Lenzi and Perucca 2021; Duffy et al. 2021) demonstrates that people's sense of discontent is not just driven by inter-personal inequalities, but also by interregional and intraregional community and place-based inequalities and a perception that their 'sense of place' within a left-behind area is undervalued by society.

Returning to the issue first raised by Bolton (1992), these recent political shocks evident in many countries do appear to have shocked both governments and citizens in many regions, including in prosperous regions, in that the local sense of place experienced by people in regions that hitherto didn't appear to matter (Rodriguez-Pose 2018) to either national policy debates or debates dominated by the prosperous regions, *is* intrinsically valuable to *other* places, as part of nation-building and nation-nurturing processes. This heightened understanding of the importance of the 'sense of place' for other places is no longer simply a nostalgic (Agnew 1984) notion, but a notion which is central to maintaining the whole national integrity of the democratic market-based system (Wolf 2023). As well as governments and citizens, this re-assessment of the wider national value of a local sense of place itself also accounts for the fact that economists who previously strongly eschewed place-based approaches are now re-assessing these issues based on the data and evidence (Austin et al. 2018).

In order to counter these destabilising trends that have the power to undermine the whole democratic system (Wolf 2023), the losers need to be genuinely compensated in a manner which allows them to regain a sense of ownership and control over their own futures, and this is nowadays especially true in the context of regions. This compensation principle is a far more fundamental issue that the optimal scale of local social insurance (Austin et al. 2018). Yet, the way that the compensation issue has been articulated in the context of the space blind thinking is also somewhat bizarre.

In the original Winnick framework, the issue regarding compensation was framed in terms of the principle that those in *more* prosperous places who 'pay' for the place-based funds deployed in economically weaker areas ought to be compensated, so that the true costs of these policies are made explicit. However, from Kaldor-Hicks welfare and efficiency principles, it is also just as possible to argue that those who benefit from migration ought to be able to compensate those remaining in the 'left-behind' origin regions. Out-migration from weaker places to more prosperous places not only benefits the out-migrants in terms of higher wages and more gainful employment but also the residents of the destination regions in terms of even more buoyant places, property price appreciation, and greater local opportunities for enhanced 'community integrity', to use Clark's terminology. The longstanding residents in increasingly prosperous large urban areas who have *not* undertaken the risks of long distance migration, ought in principle to be able to compensate those left behind in the weaker origin regions, simply by reason of pure excess rents. On this point, the urban surplus argument of Collier and Venables (2018) provides a powerful Henry George-type justification as to why the unearned rents in the urban surplus, which in the large cities are typically shared fairly evenly between landowners and high-skilled workers, could be taxed and used to compensate other less prosperous places facing an urban deficit. These arguments are consistent with the public good and unearned income place-based effects outlined earlier, and the spatially differentiated distributional consequences (Collier and Venables 2018) provide a robust case for explicitly place-based compensation to the absolute losers[20].

In terms of the scale of compensation, if the underlying features of the interregional economy are those of economic convergence, then the scale of such compensation will diminish as migration increases. In contrast, if divergence is the key underlying feature of the interregional framework, then greater out-

[20] The original Winnick (1966) argument, along with more recent Winnick-type variants, displays concern that place-based policies may lead to rental appropriation and extraction in weaker regions on the part of those who are the least needy. Yet, the urban surplus argument means that without place-based compensation framework, many market processes will lead to largely these same outcomes in prosperous places.

migration from weaker regions will require increasing marginal compensation rates. However, as Dani Rodrik (2017, 2021) points out, as with the effects of globalisation and trade openness, it is not *whether in principle* the winners can compensate the losers that matters, but rather *whether in fact* they are compensated.

The arguments regarding the relationships between the efficacy of these interregional factor adjustment mechanisms and compensation principles also have parallels in trade theory. Within a two-factor, two-good and perfectly factor mobility framework, the Stolper-Samuelson theorem demonstrates that absolute losses accrue to a segment of society, not just relative losses, and this principle can be generalised to a much broader set of economic arguments (Rodrik 2021). These assumptions closely correspond to the two-factor, two region and two goods economy with perfect factor mobility articulated by Borst and Stein (1964), immediately prior to Winnick's (1966) argument. These theoretical results imply that there will be at least one factor of production whose wages will fall by more than that of good which faces the steepest price (Rodrik 2021). So, even if lower skilled workers tend to consume imported goods, they are still left worse off if those same goods are produced by the intensive use of even lower-skilled workers (Rodrik 2021). This is important because it implies that consumer price effects of trade can never fully compensate the losers (Rodrik 2021). There is US and European evidence that such distributional effects tend to be heavily geographical in nature (Dorn and Levell 2021; Autor et al. 2013; Hakobyan and McLaren 2016), with key regions suffering significant and long-term income losses (Rodrik 2021). If trade, migration and economic integration benefit the lower income groups or the lowest income places, then integration and factor adjustment will foster distribution which reduces interpersonal and interregional inequalities. However, much of the evidence over the last three decades suggest that in the advanced economies, this is not what happened. Rather, it was the lower income and lower-skills groups and also the economically weakest regions which have *consistently* tended to suffer the most (Rodrik 2021), giving rise to the so-called elephant curve (Milanovic 2012; Lakner and Milanovic 2016; Alvaredo et al. 2018). The steep declines in the elephant curve are very evident in many of the economically weaker regions of the industrialised OECD countries.

The earlier re-casting of the 'people versus place' dichotomy in terms of who benefits from regional shocks and how these are related to personal risk-taking and initiative or simply local free-riding and unearned incomes and rents, is important in understanding the 'geography of discontent' (McCann 2020). The geographically-articulated public anger demonstrated in anti-establishment voting in recent years is almost certainly primarily a result of the unearned income effects which are strongly positive in some regions and strongly negative in other regions. Citizens in 'left behind' places perceive that many of benefits accruing to people in other regions are to some extent unearned, and they are perfectly correct in this regard. Indeed, the anger arises from the fact that local people are very aware of these effects, and in 'left behind' regions, their 'sense of place' reflects not only the adverse effects of what is taking place locally, but also the contrast with the positive unearned income effects they perceive to be taking place elsewhere. As such, the importance of the compensation principle is both economic and philosophical.

Angus Deaton (2017) argues that angry public reactions to economic trends are driven more by perceptions of unfairness than by inequality per se (Rodrik 2017). Some countries such as the USA or the UK have a higher social and political tolerance for interpersonal inequality than other countries, such as the Nordic countries, Austria or The Netherlands. However, across all OECD countries, some of the processes that drive individual and social inequality are seen as being socially fair, whereas others are not. Deaton's (2017) argument is corroborated by Protzer (2019) and Protzer and Summerville (2019) who find that countries with the highest public admiration for the super-rich are those countries which also have high levels of social mobility (Protzer 2019) related to a strong welfare state providing social support for the losers, as in the Nordic countries (Protzer and Summerville 2019). These countries also have the lowest interregional inequalities on any social dimension. In contrast, countries with the lowest public admiration for the super-rich are those with the lowest levels of social support, and these also tend to exhibit higher interregional inequalities.

The point here is that people admire success as long as they sense that the overall ‘playing field’ on which everybody competes is broadly level, giving all sections of society similar opportunities for advancement and improvement and a sense of having a stake in their own futures. In the case of interregional systems experiencing divergence, this is not the case. A strong state social and welfare support system funded by high marginal tax rates, especially on the highest income groups, to some extent does provide for this compensation principle, so in these cases people do not begrudge success. In contrast, in countries with much lower state welfare provision and compensation systems, the less affluent parts of the general public tend to perceive that the system is, in effect, rigged against them, and undermines their trust in the governance and institutional system. This implies crucially that for a politico-economic-institutional system to maintain widespread support from the whole population, all parties must benefit from structural changes, or at the very least, it must not be consistently the same groups who lose out. This is also the case for regions, because it applies just as strongly to places, via people’s ‘sense of place’. Indeed, in the UK, fairness for places dominates all other senses of fairness regarding group or individual inequality, and this spans political divides (Duffy et al. 2021).

This compensation argument for regional policy is really about maintaining the veracity, longevity and resilience of the democratic system, and these broader political economy and ethical principles cast the naive and over-simplistic ‘people-based versus place-based’ Winnick-type dichotomies of six decades ago in a very different light. A more serious consideration is required of how the economic geography of places relates to societal transitions based on more modern understandings of the institutional, governance, political, social capital and technological settings in which local and regional markets operate. Acknowledging that some places may consistently lose out from market transitions, and explicitly finding ways to help these places better adapt, is essential for maintaining the integrity of the whole system. Place-based thinking and place-based policies attempt to do exactly that, rather than, in effect, hiding behind ostensibly space-blind intentions, in situations where outcomes cannot be space-blind. Voters do not react on the basis of hidden intentions, but on the basis of the actual public good and urban surplus outcomes they experience daily. In places where the public good and urban surplus distributional dimensions of prosperity are clearly positive, voters will tend to be content with the status quo, whereas in places where the local public good and urban surplus dimensions of prosperity are clearly negative, citizens are more likely to want to upend the status quo.

More than a dozen years after the publication of the *2009 World Development Report: Reshaping Economic Geography* (World Bank 2009) which explicitly and forcefully advocated space-blind approaches, the World Bank (World Bank 2020; Grover et al. 2022) again revisited these issues, focussing on the notion that many place-based policies had failed to work as might have been hoped. The World Bank (2020) associated the performance of place-based policies as a major contributory factor underpinning the failure of countries to develop ‘convergence machines’ (World Bank 2020; Grover et al. 2022), and therefore aimed to provide “*…a new analytic framework and implementation approach”* which facilitates a *“shift in mindset…”* which “…*step(s) away from wishful efforts to treat spatial symptoms directly with place-based policies, and toward a recognition that the inefficacy of place-based policies in the past is an outcome of their failure to address economic fundamentals. A more analytically consistent approach will focus on the forces that drive and sustain growth and that can sustainably increase incomes for people from lagging areas”* (Grover et al. 2022 p.xxxv). From this vantage point, the more recent critique of place-based policies that the World Bank provides is based on two claims. *“The first is an incomplete understanding of the forces that lead to spatial inequalities to begin with and that eventually constrain policy. The second is the absence of a framework to structure sound cost-benefit analysis of often-complex projects. Such a framework could help counterbalance the overly optimistic predictions of success (optimism bias) (or wishful thinking) by the advocates of place-based policies or lobbying by self-interested individuals, sectors, private interests, and regions expecting to be beneficiaries.”* (Grover et al. 2022 p.4).

However, the arguments and evidence discussed in this paper from OECD countries, including the fact that the ‘convergence machines’ of Europe (Gill et al. 2012) and the USA have already gone largely into reverse at the regional level (European Union 2014) while many developing countries also exhibit ‘sterile agglomerations’ (Grover et al. 2022) whereby city growth is not associated with productivity growth, all suggest that ‘space-blind’ thinking may also be especially vulnerable to ‘optimism bias’ and ‘wishful thinking’. The OECD-wide shift from interregional convergence to interregional divergence cannot on any level be blamed on the presence of place-based policies, given that they typically account for a tiny share of either the overall economy or public expenditures in OECD countries, or large single markets with capital and labour mobility, such as the European Union or the USA.

In marked contrast, the place-based approach advocated by Barca (2009) demands modesty on the part of economists in particular, and an admission that frequently there is no ‘off-the-shelf’ textbook framing that can be applied to particular contexts in order to bring about positive change. Rather, based on the social capital arguments outlined above, a careful consideration of the governance, institutional and coordination challenges facing a locality is paramount, and then the articulation of a plan which tries to find ways for local people and communities to bring about positive change is essential for ‘turning around’ the fortunes of a place. Good independent analysis and external expertise are important (Grover et al. 2022), but at least as important are local agency, voice, scale and coordination. In addition, in many cases this will require not just local agency but also the involvement and agency of higher-level actors who can both support more local actions, while also destabilising local development traps in order to better link localities to national knowledge (Barca 2009). Combining bottom-up knowledge and agency with top-down knowledge and agency will frequently be crucial. Place-based and bottom-up approaches do not imply that decentralisation is a panacea and nor do they imply communitarianism approaches (Barca 2011). Rather, multi-level governance arrangements in which the local, regional and national all learn from each other can provide opportunities for ‘turning around’ places which have faced adverse economic shocks.

A first step along this path towards turning around places would be to abandon the dichotomous ‘people-prosperity versus place-prosperity’ or ‘people-based versus place-based’ framings as a set of conceptual organising principles and to begin the process with a ‘people-in-places’ discussion which explicitly allows for different lenses to be applied to a context. The objective here would be to examine trade-offs but also to identify potential complementarities which could be constructed under carefully managed conditions emphasising cooperation and coordination. The place-based approach makes no claim that all places can be ‘turned around’ to a similar extent, and indeed a realistic assessment may be that the long-run decline of certain places is inevitable. However, the Barca (2009) notion of ‘potential’ implies that many places can be turned around, or at least their decline can be arrested or better managed (McCann 2017) than is implied by space-blind thinking.

‘Economy’ and ‘place’ are inextricably intertwined via markets, institutions and governance systems, and rather than trying to separate ‘people-based’ from ‘place-based’ actions, the cities which have successfully managed ‘turnaround’ processes are those which have taken all of these features on board simultaneously in their redevelopment agendas. Research examining eight ‘turnaround’ cities across six different OECD countries has recently been undertaken by a consortium of the Universities of Oxford, Sheffield and Manchester, alongside the UK2070 Commission and the Lincoln Institute for Land Policy, Boston (Frick et al. 2023)[21]. The cities examined are Lille, France; Newcastle, New South Wales, Australia; Bilbao, Basque Country, Spain; Pittsburgh, USA; Dortmund, Duisburg and Leipzig, Germany; and Windsor, Ontario, Canada. The research undertaken has uncovered six key common themes or principles for successful place-based policies. These six key principles are:

[21] https://www.bsg.ox.ac.uk/research/publications/turnaround-cities-western-europe-case-studies-insights-lille-france-and
https://www.bsg.ox.ac.uk/research/publications/turnaround-cities-german-case-studies-insights-dortmund-duisburg-and-leipzig
https://www.bsg.ox.ac.uk/research/publications/turnaround-cities-anglo-saxon-case-studies-insights-pittsburgh-pa-newcastle

(a) There need for to be clear complementarities between urban redevelopment strategies and economic development strategies. The attractiveness of a place for living is as important as it is for business investment.

(b) Redevelopment strategies for promoting a local economy need to be comprehensive to be effective, not piecemeal or ad hoc in nature.

(c) Successful strategies build upon a region or a city's strengths.

(d) Local and regional leadership rather than central government-led policies were central for the turnarounds, with central government playing a supporting rather than a primary role.

(e) Long-term, significant and stable funding is required, which enables the creation of local capacities and a long-term vision rather than a multitude of piecemeal projects

(f) The engagement of a variety of actors and a sense of collaboration for the common good play an important role in the design and implementation of turn around strategies and policies.

These place-based findings chime with the research and recommendations arising from the work of both the OECD CFE team, the Brookings Metro Program, and the European Commission Directorate-General for Regional and Urban Policy. It is also these three institutions which have most strongly researched, advocated for, and championed these place-based approaches to economic development. The worldwide work of the OECD has brought international comparability to the empirical evidence base, and also allowed for careful and nuanced understandings of the role of governance, and especially, multi-level governance, in addressing these place-based challenges. The data-building and evidence-gathering work of the OECD has been especially influential in the European context, while the European Commission has consistently encouraged high-quality analysis and evaluation of the EU's regional policy programmes. Meanwhile, the work of the Brookings Metro Program has driven the place-based debates in the USA, and especially at a time when many US-based urban economists were sceptical of such issues.

As we have seen here, the emerging evidence of decades of largely 'hands-off' and space-blind thinking in US domestic policy has meant that this scepticism is now increasingly being replaced by a sense of the need for urgent place-based action. Indeed, in so many contexts, place-based arguments point to lack of consideration of the importance of the themes (a)-(f) in redevelopment that has been so damaging in space-blind approaches. The advantage that both the OECD and Brookings have over traditional university-based academic researchers, is that the latter typically have no real experience of long-term policy-design and delivery which involves negotiating and deliberating with non-academic stakeholders and partners on an ongoing and continuing basis in the medium and long-terms. In contrast, both the OECD and Brookings combine intellectual rigour with empirical evidence and also longstanding experience of debating and negotiating with both academic and non-academic stakeholders. In addition, the research divisions within the European Commission Directorate General for Regional and Urban Policy, along with allied institutions such as ESPON and the JRC Joint Research Centres of the European Commission, have also contributed a plethora of evidence on place-based issues (European Union 2017), primarily within the EU, but also further afield, often working closely with the OECD. They have been able to marshal an enormous range of both quantitative and qualitative evidence as to how place-based policies play out in different contexts, and the relationships between governance, institutions, civic engagement, and economic development. Not surprisingly, the work of these various institutions is now central to the latest wave of place-based policies and challenges in the USA and Europe, and in particular, the response to climate change.

7 The Place-Based Agendas and Challenges in the USA and EU

The European Union has operated a major regional policy agenda for many decades, whereby the overall EU-wide policy has many national and sub-national regional elements embedded within it. This policy schema has evolved over time, but recently, the urgency to address climate change, exacerbated by the recent political economy shocks and the resulting energy crisis, has refocussed attention on the sustainability and resilience challenges facing many European regions. In particular, these challenges again raise the question as to the role played by regions and place-based policies in addressing what to some observers appear to be largely space-blind issues. Meanwhile, broadly these same issues have also spurred a major shift in the USA towards place-based policies, something which to most observers was unexpected, both in terms of the nature of what is being implemented and also the scale of this. The challenges in the USA and EU display many common features, as do some of the responses, while also displaying various context-specific differences. In the light of all of the issues already raised here, both agendas provide insights and lessons for each other, as well as for place-based thinking worldwide.

In many US depressed and left-behind localities, places where health insurance largely depends on employment, joblessness is a major societal problem. Joblessness leads to major additional social and societal costs in terms of physical and mental health, crime, drug and alcohol dependency, family breakdown, lower educational attainment, increased welfare and disability benefit costs, and lower life satisfaction (Bartik 2020). In the USA, place-based funding tends to focus on firms' incentives, but total place-based policies amount to no more than 3% of state and local government fiscal resources generated by own-source tax revenues (Bartik 2020). Bartik (2020) argues that local market failures provide a rationale for place-based job creation programmes. Involuntary unemployment and low labour participation rates (Weingarden 2017) in localities impose enormous private and social costs, many of which are local, but some of which have wider regional and national impacts, which the central state has to cover to some extent (Bartik 2020). These social costs including family breakdown, poor health, and crime. In contrast, job creation in these types of localities has high private and social benefits, because job-chains can be developed which can be populated by local workers at little or no inflationary cost, spreading activity and prosperity throughout the locality (Bartik 2020). The private benefits of this are very large, and social benefits of additional local jobs are likely to be even higher in these types of places than in already-prosperous places, thereby making job creation not a 'zero-sum' game (Bartik 2020).

Bartik (2020) also argues that the empirical evidence suggests that moving people to jobs, the Winnick-Glaeser-Gottlieb out-migration argument, is not effective in helping regions to adjust. Few people migrate, and especially those who are lower down the income scale are the least likely to move (Bartik 2020). On the contrary, he argues that the empirical evidence implies that for every local out-migrant the number of local jobs in the origin region falls on at least a one-to-one ratio, and often by more (Bartik 2020). Out-migrants take skills, entrepreneurial know-how and social capital with them, intangible assets which cannot easily or readily be replaced by the remaining population (Bartik 2020). The persistence of local joblessness (Amior and Manning 2018) is due to slow population adjustment in the face of autocorrelated negative shocks, and long-run evidence from the USA (Bartik 2020) and the UK (Rice and Venables 2021; SMC 2020) shows that local adverse economic shocks depress local employment rates, local wage rates and social mobility for up to five decades (Bartik 2020). Moreover, if out-migration has to be subsidised in order to encourage people to move, then the true social costs of migration include both the monetary costs of the subsidy, plus the loss of 'sense of place' due to the out-migrant, plus the additional adverse costs on the origin locality of losses of human and social capital (Bartik 2020). These costs are far higher than the subsidy values, such that a purely pecuniary assessment undervalues the true social costs. At the same time, there is very little evidence in depressed localities that the costs of any place-based intervention are capitalised into local house prices and living costs. On the contrary, Bartik (2020) argues that the empirical evidence demonstrates that the present value of job-creation impacts dominate housing costs increases, and that this is even the case in many localities with severe housing supply restrictions.

Austin et al. (2018) revisit these issues in the context of persistent long-term unemployment and high non-work locations and they recast them in terms of the spatially-varying optimal scale and set-up of the local social insurance required to generate employment in these locations. Most of the responses to their work (Duranton 2018; Hall 2018) focus on whether the local unemployment issues are primarily a labour supply or a labour demand issue. However, Rivlin (2018) argues that these are not in reality about place-based policies, but rather individual-based or people-based policies which vary with location. Rivlin (2018) argues that a true place-based policy would need to take into account the reasons why the place is in trouble and what can be done about it, and where localities face deep structural challenges, the subsidising of work alone will not address the problems.

These principles are clearly articulated by Floerkemeier et al. (2021) and Duranton and Venables (2018). Place-based policies still require the acknowledgement of trade-offs, the setting of priorities, and the making of hard choices, with the primary objective being the search for, or construction of, local complementarities (Braga de Macedo et al. 2014) aimed at rehabilitating the public and public-private spheres, so as to galvanise the markets driving local economic development.

For such policies to be successful, on the basis of a wide range of US evidence, Bartik (2020) argues that place-based incentives focusing on enhancing business services and training support, all of which are aimed at lowering the costs and increasing the supply of local business inputs, or alternatively policies aimed at enhancing local infrastructure provision, tend to be much more cost effective than firm relocation subsidies. Bartik (2020) therefore recommends six key priorities for the design of place-based policies.

(i) Place-based policies should focus explicitly on depressed areas.

(ii) Place-based policies should focus on high multiplier industries.

(iii) Place-based policies should not disproportionately favour large firms.

(iv) Place-based policies should focus on the enhanced provision of local business inputs, and local infrastructure and land provision.

(v) Place-based policies should be a coordinated package of policies tailored to the local context and aimed at building complementarities.

(vi) Place-based policies should be better evaluated using quantifiable selection criteria, thereby permitting the use of techniques such as regression discontinuity design.

A new and somewhat unexpected opportunity to develop and test these place-based approaches on a huge scale arose in the USA in the context of the Biden administration. The environmental and energy-related challenges in the wake of the UN call to arms in addressing climate change allied with the energy shocks associated with the Russian invasion of Ukraine, gave a new political impetus to fostering a greener economy. At the same time, security concerns regarding the out-sourcing of US technology in global production networks, allied with an international relations fracturing of the global openness of the last three decades, together led to a shift towards a more domestic reorientation of US economic policy.

Prior to the Biden administration's acts, already much place-based thinking had been undertaken in US policy circles, and especially spearheaded by the Brookings Metro Program (Shambaugh and Nunn 2018; Shearer et al. 2018), such that by the time the Biden administration acted to decisively move to a place-based approach with many policy arenas, US policy-analysts were well-prepared to assess progress (Parilla et a. 2022).

The Biden administration has introduced some major industrial policy programmes via the American Rescue Plan Act (ARPA), the Infrastructure Investment and Jobs Act (IIJA) 2021, the Chips and Science Act (CSA), and the Inflation Reduction Act (IRA), all of which reflect a national pivot away from vacillating between laissez-faire policy intertwined with periodic redistributive efforts (Muro 2023). The Brookings Metro Program counts $80bn in spending across 19 policy programmes underpinned by the ARPA, IIJA and CSA acts, plus billions more in clean energy, cleantech and related investment programmes and disaster recovery initiatives via the $400bn IRA (Muro 2023). All four acts represent a major shift towards a place-based agenda, including the mid-western 'battery belt', and away from a 'business-as-usual' approach which largely eschewed any place-based agenda (Muro 2023). As we have discussed in detail, broad national agendas or laissez-faire approaches have their place, but they typically fail to confront or address local market failures, and the Economic Development Administration's $1bn 'Build Back Better' challenge, which is explicitly place-based in design and logic, is a cornerstone of the ARPA (Muro et al. 2021). Muro (2023) argues that place-based approaches have three main merits. Firstly, explicitly place-based strategies may be able to address the roots of the problem more directly by targeted interventions (Muro 2023), built secondly, on locally 'grounded' problem-solving searching for solutions in a manner which thirdly, 'gets the civics right' (Muro 2023), in the sense that it requires the engagement and mobilisation of a wide array of actors, networks and knowledge flows in a context of bipartisan and stable political set-up (Muro 2023).

The CHIPS and Science Act (CSA) is the mainstay of a new US industrial strategy, in which the federal government wants state and local governments to also put their weight behind the programmes and projects (Muro et al. 2023a,b), with a focus on local clusters, local co-investment and local attention to the micro underpinnings of a national strategy (Muro et al. 2023a,b). The intention of the CSA is that federal government will only account for 5%-15% of total capital investments, with the private sector accounting for the lion's share. However, state and local funding as well as philanthropic investments wherever possible, are all essential for programmes to be commissioned, but rather than industry or sector-specific subsidies, the focus of sub-central government funding must be on creating spillovers and synergies for fostering more resilient long-term economic development (Muro et al. 2023). Areas for funding priorities include infrastructure, workforce development and R&D, all aimed at fostering innovation via cluster development (Muro et al. 2023). The training, development and retention of workers is a key element of each proposal, and although many areas of the semiconductor industry require very advanced skills, some 60% of manufacturing jobs in the semiconductor industry are not graduate jobs, but higher skills jobs (Muro et al. 2023). The programme also explicitly considers broader community and investment issues, including diversity between and within businesses, while a requirement that childcare facilities for the workers in the projects must be built into the programme from the outset, along with community benefits agreements and engagements with civil society actors, all of which are expected to be part of proposals.

The most widely discussed aspect of the CHIPS and Science Act (CSA) is that it provides $50bn for semiconductor research and manufacturing. Yet, the CSA provides two major pieces of place-based policy and funding. The first is $10bn of funding to cover five years of costs involved in creating 20 new Regional Technology Hubs in places different from the major US coastal technology hubs (Bartik et al. 2022). The second element is $1bn of funding to cover five years of costs for setting up a pilot 'Recompete' programme in 10 distressed communities where their employment to population ratios are very low (Bartik et al. 2022). For both the Hubs and Recompete programmes, the funding can be used flexibly to provide a wide range of infrastructure and services aimed at fostering economic development (Bartik et al. 2022). For the proposed duration of the programmes, the levels of funding involved in these schemes are not dissimilar in terms of magnitude to the funding for the Tennessee Valley Authority and the Appalachian Regional Commission. All programmes must be evaluated rigorously in order to be commissioned at the outset. The Regional Technology Hubs programme is not specifically aimed at deprived or distressed areas, but one-third of the Hubs must be in smaller cities or rural regions, areas which in the US are typically struggling (Bartik et al. 2022). Moreover, the need to employment generation in underrepresented and disadvantaged communities is a requirement for the Hubs to be commissioned.

The Economic Development Administration’s $1bn ‘Build Back Better’ regional challenge is a cornerstone of the ARPA (Muro et al. 2021; Parilla et al. 2022). The Build Back Better regional challenge provides five-year grants ranging from $25 million to $65 million across 21 regions competitively selected from a pool of 60 finalists (Parilla et al. 2022) aimed at fostering multi-stakeholder coalitions of businesses, governments, universities (Parilla and Haskins 2023), and community-based organizations (Parilla et al. 2022). These coalitions are to be tasked with designing and delivering comprehensive strategies for developing nationally critical industry clusters, and also in a manner which delivers economic opportunity to traditionally underserved people and communities (Parilla et al. 2022).

The IIJA provides for $864bn over five years (Ross et al. 2023) and across 400 plus programmes spanning multiple federal agencies that channel funds to state and local governments. Some 72 of these programs accounting for $490bn allow for workforce development, of which six programs amounting to $281m, or less than 1% of the total, exclusively allow for workforce development including recruitment and training (Ross et al. 2023). State and local bodies have widespread discretion and powers regarding how to implement such programs, including local workforce development agendas (Ross et al. 2023).

While the energy components in both the IIJA and the IRA are focused on clean energy, the transportation component of the IIJA is rather more climate agnostic than the IRA (Tomer et al. 2023). Both state and local actors have a wide level of discretion regarding their local economic development priorities and decisions (Tomer et al. 2023).

In terms of jobs being targeted, Bartik (2020) argues that high-tech jobs have high local employment multipliers, even for lower skilled local workers, and therefore are a realistic focus of local employment-generating programmes, whereas Glaeser and Hausman (2019) argue for policies aimed at promoting knowledge diffusion into weaker regions in order to enhance local opportunities. The CHIPS and Science Act (CSA) in effect aims to address both of these issues, by focusing on developing a wider spread of technology centres. This technology agenda is also accompanied by a renewed focus on upgrading the infrastructure of the US along with a major shift to more renewable sources of energy and promoting more resilient and sustainable development trajectories for many places. The new US agenda contains many explicit place-based dimensions, but the success of these policies in the long-run will also depend on the extent to which the various different policy lines align with each other in order to build scale and complementarities at the local level. Their success will also depend on the medium and long-term political commitment to the funding of these programmes (Hourihan et al. 2023), in order to ensure their momentum.

In the case of the European Union, many similar types of scale and coordination also challenges arise as with the US case, and especially in the context of the ‘green’ agenda. The current logic and architecture for regional policy in the European Union has a thirty-five year pedigree, which itself built on more than three decades of prior incremental place-based policy developments (McCann 2015). Over several decades, EU regional policy, or EU Cohesion Policy as it is officially known, emerged as being the largest of the EU’s policies, accounting for a third of the EU budget (McCann 2015). Major reforms took place in the 2014-2020 ‘programming period’ which enhanced the role of monitoring and evaluation of policies, along with a major emphasis on clarity of policy prioritisation aimed at building scale and promoting local entrepreneurship and innovation, under the banner of ‘smart specialisation’ (McCann 2015). The principles of the 2014 EU Cohesion Policy reforms, which were initially catalysed by the Barca (2009) report, are consistent with all six of Bartik’s (2020) six key priorities for the design of place-based policies.

Of the more than fifty papers which have analysed the effects of EU regional policy on local development trajectories, more than a half find clear positive results of the policy, a quarter find weak positive results, and a quarter find either negligible or insignificant effects. In particular, many of the earlier papers prior to the global financial crisis found negligible effects[22], whereas the more recent papers using more detailed data and modern techniques such as regression discontinuity design (Becker et al. 2010, 2012a,b; Pellegrini et al. 2013; Crescenzi and Guia 2016; Crescenzi et al. 2017), differences-in-differences and semi- and non-parametric techniques (Ferrara et al. 2017, 2023), find positive results.

Over the last decade, the recent reforms to EU Cohesion Policy have set it on a more forward-looking and evidence-based footing, with a stronger focus on local policy-design and delivery, allied with greater stakeholder engagement, collaboration and ownership of the projects. In the last few years EU attention is increasingly switching to addressing the climate change challenges, with the major piece of legislation being the €1.8 trillion the EU Green Deal agenda (European Commission 2020a,b). This EU policy promotion and legislation predated both the COVID-19 crisis and the energy crisis brought on by the Russian invasion of Ukraine, and is heavily influenced by the ‘mission oriented’ approach (Mazzucato 2018) to addressing societal challenges. Mission-oriented approaches are top-down in nature and also tend to be centrally-orchestrated, and in the context of military R&D investments and expenditure, for example, this obviously makes sense. Moreover, climate change affects the whole planet, so on one level it is possible to argue that it is inherently a space-blind issue. However, for climate change mitigation strategies, the relationships between so-called space-blind, people-based and place-based issues are far more complex that at first they might appear.

The detailed, conceptual, analytical and empirical arguments put forward in this paper have already discussed in detail the reasons why there is no simple ‘people prosperity versus place prosperity’ dichotomy, and consequently why there is also no simple dichotomy between ‘space-blind’ and ‘place-based’ policies. In contrast, by adopting a ‘people-in-places’ framing which focuses on the public good and social capital aspects of a ‘sense of place’, this report explains why place-based issues are so important in order for purportedly people-based issues to be effective.

The climate change mitigation agenda is a case in point of these conceptual and operational problems. The key issue to be overcome is that fact that economically weaker regions tend to be more vulnerable to climate change mitigation strategies than the more economically prosperous regions, whereas the more prosperous regions tend to be the most amenable to climate change mitigation strategies. This is the case in the USA, the EU (European Union 2017; OECD 2019b,c; OECD 2023b) and the UK (Corfe and Norman 2021). In the case of the European Union, the regions facing the greatest risks from climate change mitigation strategies are indeed the economically weaker regions, especially in central and eastern Europe (OECD 2023). The fact that the economically weaker regions are more exposed to climate change mitigation risks poses a major problem for top-down, centrally-orchestrated mission-led approaches, because the geography of incentives is fundamentally mis-aligned with the mission framing.

Many prosperous cities already display a smaller per-capita carbon footprint than other regions, and many also already have in place the infrastructure, skills and social capital set-ups ideal for the trialling of new private sector-led technologies for reducing carbon emissions (McKinsey 2017, 2021). In contrast, regions which are traditionally specialised in heavy industry, concentrating on manufacturing and extraction sectors, are more vulnerable to climate change mitigation strategies, because these tend to be the most carbon intensive and carbon extensive in terms of their composition. This means that the adjustments needed to be made to these industries tend to be greater than for sectors which are less carbon intensive. In addition, in the current context, many of these industries are also located in economically weaker regions

[22] It is only this older evidence-base that Austin et al. (2018) refer to on p.211 to support their claim that EU regional “*policies seem to have a limited effect because they focus on spreading money around rather than on interventions that have high returns in particular places*.”

which have been the most exposed to global competition, and this implies that many of the economically weaker regions are also the most exposed to climate change mitigation strategies. These types of regions are rarely attractive locations for the private sector trialling and showcasing of new technological advances in climate change mitigation. Instead, for commercial branding, marketing and profiling purposes, private sector technological leaders typically wish to be associated with the more successful places, places which typically tend less at risk of such transitions. Yet, unless the economically weaker regions receive significant compensation aimed at facilitating their transitions, by also partnering with the private and civil society sectors in a manner which does not destroy local jobs, then local public objections to such transition processes will be the outcome (McCann and Soete 2020).

The point here is that climate change mitigation strategies in general cannot work without a strong place-based regional policy dimension to them, and the reason is that if those who are most adversely affected by the strategies themselves are not also incentivised and compensated to engage fully with the strategies, then they will object and undermine the strategies. If climate change mitigation strategies further favour the already-prosperous places, then this goes against the principles that the valuing of mutual obligations, a sense of place and the development of a common sense of purpose, are all essential for bringing about societal change for the common good. In the case of climate change mitigation, small steps on a wide range of fronts which are 'owned' and instigated by large numbers of people and places, are likely to be far more effective and long-lasting than a small number of large flagship-type initiatives driven by a subset of 'superstar' places and firms (MGI 2018). Without significant place-based involvements in the missions assisting the weaker regions facing the most risks from climate change mitigation strategies, the economically weaker regions will have little incentive to engage with the green agenda. This a natural outcome of the fact that the top-down and centrally-orchestrated nature and logic of mission-oriented approaches is inconsistent with the notion of widespread local engagement and ownership of the mission (McCann and Soete 2020).

In the case of the USA, these top-down mission-oriented issues and place-based incentives for weaker regions have already been addressed and reconciled by the fact that Biden Administration has embedded place-based approaches throughout the climate change mitigation agenda. In the case of Europe, this reconciliation between place-based and mission-oriented approaches is possible because during the 2014-2020 Programming Period the EU has developed a large portfolio of smart specialisation strategies, known collectively as the RIS3 agenda, namely Regional Innovation Strategies for Smart Specialisation (McCann 2015). The RIS3 smart specialisation agenda has been a mainstay of EU Cohesion Policy, with a key focus on fostering local entrepreneurship-led innovation in both the private and public sectors. Regions have engaged heavily with the RIS3 Platform[23], hosted at the EU Joint Research Centre in Seville, which gathers and builds policy-related data and evidence from across all EU regions, and which acts as a partner to regions, helping them develop their local innovation-led regional policies.

The prior experience of RIS3 is now being leveraged to shift to a new EU-wide generation of local and regional innovation programmes, in which responding to the EU Green Deal challenge is the central core objective of these new Partnerships for Regional Innovation (EU-JRC 2022). The pilot PRI programme, which has just very recently been launched, emphasises the collaboration between local private, public and civil society partners in the design and delivery of regional transformation pathways. The strategic framework of the Partnerships for Regional Innovation explicitly links EU priorities with national plans and place-based opportunities and challenges (EU-JRC 2022). In order to link the local and regional contexts to the EU-wide context, the PRI programme emphasises that all partners and stakeholders are required to work across sectoral silos, in a manner which is underpinned by collaboration and co-creation so as to galvanise innovation-driven territorial transformation. The PRI agenda is based on three key building-blocks, namely a *Strategic Policy Framework*, an *Open Discovery Process*, and a *Policy and Action Mix* (EU-JRC 2022). The Strategic Framework emphasises a 'whole-of-government' approach, mobilising all

[23] https://s3platform.jrc.ec.europa.eu

arms of government nationally, regionally and locally, in the driving of these PRI programmes, with an architecture that fosters links across policy domains and multi-level governance hierarchies. The Open Discovery process repurposes the established participatory governance approach of smart specialisation towards sustainability. In comparison to the ‘entrepreneurial discovery process’ in smart specialisation, the new Open Discovery logic in the PRI approach more fully enables engagement with groups who are vulnerable to the climate change mitigation transformations, in order to build more robust coalitions for action. The Policy and Action Mix mobilises additional policy instruments and better facilitates the sequencing of actions, in order to generate local and regional synergies between different sectoral, governance, institutional and policy-domains (EU-JRC 2022).

At the local and regional levels, many of the themes evident in the USA and EU agendas are complementary to each other. While there may be some transatlantic tensions of a political economy nature regarding how these ‘green growth’ agendas may affect mutual trade opportunities (Brower and Chu 2023), place-based principles are clearly evident in both agendas, not only in terms of broad priorities and themes but also in specific operational logics. The focus on enhancing the local public sphere of collaboration in order for private sector actors to take the lead is common to both contexts, as is the need for bottom-up initiatives as well as engagement. These shared commonalities in policy logics reflect the need for particular types of mission-oriented policy agendas to be place-based in order to be effective. They also reflect the fact that increasing numbers of commentators and policy-makers worldwide, including those who previously eschewed place-based approaches, are moving away from assumptions that there is a neat ‘people versus place’ dichotomy or trade-off, and that ‘people-in-places’ reflects a more realistic understanding of the relationships between markets, and institutions and governance. The case for, and the need for, place-based regional policies has never been stronger than it is today.

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