

## 2. Economic and geographical fault lines

The UK had and has a more unbalanced economy than almost all our immediate biggest competitors in Europe and more unbalanced than pretty much every major developed country ... For too many people geography turns out to be destiny.

Boris Johnson (15 July 2021)<sup>1</sup>

The modern study of institutions can help explain how geographical fault lines developed in Europe and the UK. The first section in this chapter examines the impacts of the Black Death on feudal societies. These were based on a social contract in which peasants supplied labour to their landlords, who reciprocated by maintaining law and order and giving the peasants protection. Feudalism is an exemplar of what Daron Acemoglu and James Robinson call an ‘extractive society’: corrupt and designed to extract benefits for a small ruling elite, who obstruct developments that might threaten their privileged position.<sup>2</sup> Acemoglu and Robinson argue that an extractive society explains *Why Nations Fail*, and will continue to do so, until a critical juncture offers a window of opportunity for radical change. The different consequences of the critical juncture of the Black Death in the 14th century resulted in geographical fault lines that have persisted to this day. That ended feudalism in much of Europe (in England there was the peasants’ revolt of 1381) but not in Russia and Southern Italy. The second section briefly considers how Russia moved from feudalism to communism without developing the institutions necessary for a market economy: property rights and an independent legal, fiscal and justice system. That is why, after the fall of communism, its institution of authoritarian corruption enabled oligarchs to benefit from the privatisation of state assets, which has resulted in another kind of extractive society.<sup>3</sup> The third section is about how the regions of Southern Italy remain relatively poor as they moved from feudalism to a polity with strong organised crime and corruption. The fourth section shows how the institutions of Soviet planning and a market economy created fault lines between East and West Germany after the Second World War. The final two sections contrast the development of fault lines in the UK’s centralised state with the economic transformation

---

### How to cite this book chapter:

Bevan, Gwyn (2023) *How Did Britain Come to This? A century of systemic failures of governance*, London: LSE Press, pp. 21–52.

<https://doi.org/10.31389/lsepress.hdb.b> License: CC BY-NC

of East Germany, after unification, in Germany's federal constitution; and describe the entrenched divisions visible in the UK, exemplified by what has happened to Oxford and Oldham.

## 2.1 A mediaeval pandemic and the divergence of inclusive and extractive societies in Europe

The Black Death in the 14th century was the deadliest global pandemic in human history. In his book *Doom*, Niall Ferguson estimates that, across Europe, 30 per cent to 60 per cent of the population died.<sup>4</sup> In the first wave of 1348–49 alone, it reduced England's population by about a third.<sup>5</sup> There was a second wave in 1361–62, a third in 1369 and a fourth in 1375.<sup>6</sup>

By the time of the Black Death, the feudal social contract in much of Western Europe had evolved so that peasants were paid by the landlord for working his land. After the plague, landlords in England tried through legislation to freeze the price of labour at pre-plague levels. King Edward III's Statute of Labourers 1351 targeted restrictions on migration and was directed:

against the malice of servants who were idle or unwilling to serve after the pestilence without taking outrageous wages ... that such servants, both men and women, should be obliged to serve in return for the salaries and wages which were customary (in those places where they ought to serve) during the twentieth year of the present King's reign (1346–47) or five or six years previously ... Servants are not to depart from the vill[age]s in which they live during the winter to serve elsewhere in the summer if they can find work in their own vills at the wages mentioned above; saving that the people of the counties of Stafford, Lancaster and Derby and those of the Craven, the Marches of Wales and Scotland and elsewhere may come and go in other counties during August and then return safely, as they have been accustomed to do before this time. Those who refuse to take such an oath, or to fulfil what they have undertaken shall be put in stocks for three days or more by the said the lords, stewards, bailiffs and constables of the vills or sent to the nearest gaol, there to remain until they are willing to submit to justice. For this purpose stocks are to be constructed in every vill between now and Whitsunday.<sup>7</sup>

This Statute of Labourers brought out so clearly the problems of restricting migration by recognising that exceptions were necessary. (As they were in the UK after Brexit for butchers, bricklayers, welders, fishmongers, bakers, horticultural workers, childminders, nursery nurses, health professionals, senior care workers and nursing assistants.<sup>8</sup>) The statute also pioneered a national incomes policy, which John Hicks pointed out was as problematic

then as, later, in the 20th century.<sup>9</sup> In setting prices, the 1351 Statute was highly specific in fixing different upper limits for rates of pay for threshing (60 per cent higher for threshing a quarter of wheat or rye than for a quarter of barley, beans or oats). But it experienced the same problems of measurement of shoes as central planners in the Soviet Union seven centuries later: the statute required that shoemakers 'shall not sell boots, shoes or anything else connected with their mystery otherwise than they did in the said twentieth year'.<sup>10</sup>

Although the Statute of Labourers 1351 was revised and re-enacted over the following 30 years, according to nearly all contemporary accounts, all this legislative activity was futile.<sup>11</sup> One source observed that:

The labourers were so arrogant and hostile that they took no notice of the king's mandate; and if anyone wanted to employ them, he was obliged to give them whatever he asked, and either lose his fruits and crops, or satisfy at will the labourers' greed and arrogance.<sup>12</sup>

The landlords faced what is known as a collective action problem. As Hatcher explains, although they as a body

supported the enactment of labour legislation they lacked the solidarity necessary to ensure its successful enforcement. In default each employer's own best interests were served by securing enough labour to perform the work which he needed to be done, and this involved competing with other employers by offering higher wages and more allowances.<sup>13</sup>

The pandemic's impact shattered feudal society in much of Western Europe. But, in Russia, serfs were still owned by their landlords in a social contract that required them to work for their landlords on some days and were free to work for themselves on others. If serfs sought to escape their feudal ties and become free men after the plague, they were remorselessly and brutally hunted down by their landlords. The nobility's success in this endeavour entrenched feudalism in a second serfdom. Hicks describes the path dependent outcomes of the critical juncture of the Black Death that shaped the future of much Eastern Europe:

The decline in population, which was the occasion for this parting of the ways, was itself a transitory phenomenon; in a couple of generations, or a little longer, it had probably been made up. But the habits and the social institutions which had grown up as a reaction to it were not easily eradicated. Prussia (now part of modern Poland and Russia) and Poland and Russia remained for centuries in the grip of a nobility of landlords, extracting what revenue they could

from poor peasants whom they kept dependent on them; defending as their lifeline an oppressive system which they were unwilling to reform for fear that the whole house of cards they had built would fall on their heads.<sup>14</sup>

## 2.2 From serfdom to a maximal state

Bo Rothstein is one of the world's leading scholars on corruption.<sup>15</sup> If you ask him what helps a country end corruption, he replies, 'Lose a major war.' The defeat of the Russian army in the Crimean War (1853 to 1856) was a critical juncture that was followed by the 'abolition of serfdom in 1861'. Thomas Piketty points out that this failed, however, because of Russia's weak institutional arrangements.<sup>16</sup> Serfdom only came to an end with the Bolshevik revolution after the critical junctures of the failures of its army and economy in the First World War.<sup>17</sup>

Karl Marx had predicted that the development of a communist society was an inevitable outcome of the class struggle in capitalist societies of the 19th century, in which the alienation of the working class in producing surplus value for the owners of capital would inexorably lead to a crisis.<sup>18</sup> Paradoxically, however, it was in Russia's feudal society that the Soviet model of communism was established. For Lenin, Trotsky and Stalin the kulaks were incompatible with that model.<sup>19</sup> They were the richest 5 per cent of peasants, who could afford a square meal every day from owning a few horses, cows and smallholdings. Only 1 per cent were in a position to exploit more than one labourer.<sup>20</sup> Kulaks were 'publicly reviled as a menace and bloodsucker, perhaps taxed heavily, and always conscious of appearing a menace in the eyes of at least some men in the Kremlin.'<sup>21</sup> There was a great debate, in the 1920s, between communist leaders over their coexistence with communism.<sup>22</sup> Under Stalin's brutal 'dekulakisation', the 'worst kind' of kulaks were sent to concentration camps; others were deported from where they had lived; and those who were allowed to remain were given the worst kind of land.<sup>23</sup> What followed from the programme of collectivisation of agriculture in Ukraine, between 1931 and 1934, was Holodomor – derived from the Ukrainian words for hunger (*holod*) and extermination (*mor*). Nearly four million people died.<sup>24</sup>

The brutal Stalinist system of centralised planning and direction in the maximal state succeeded in moving Russia, within a generation, from a feudal agrarian economy to a primitive industrial society. Gary Gerstle argues that now we forget how 'powerful and prestigious a movement communism once was.'<sup>25</sup> He points out that in the 1930s, whilst chaotic market mechanisms caused production to plummet in the United States and the rest of the Western capitalist world, under intelligent government planning it had soared in the Soviet Union.<sup>26</sup> Edward Luce in the *Financial Times* observed that 'the year before FDR [Franklin Delano Roosevelt] was elected, 100,000 Americans applied for jobs in the Soviet Union.'<sup>27</sup> In the US, Gerstle argues that the threat of communism explains why, under FDR's 'New Deal', workers enjoyed high

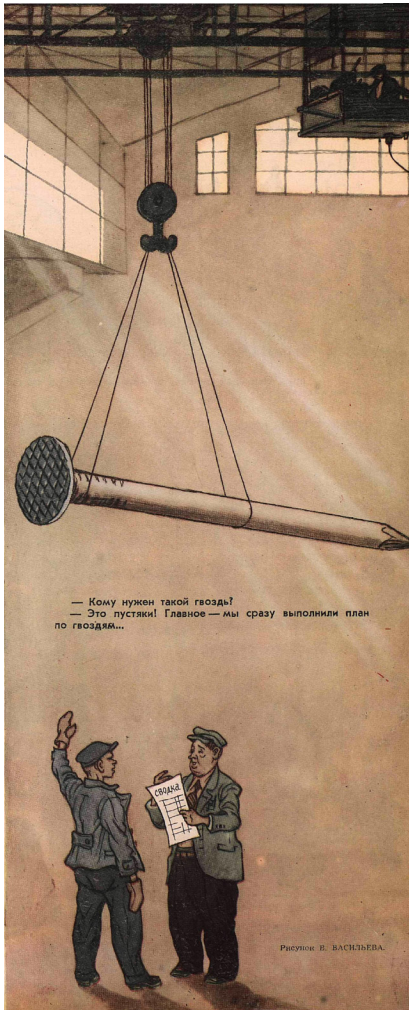
wages as the outcome of the compromise between capital and labour.<sup>28</sup> In Britain, in 1956, Anthony Crosland argued for a different future for socialism from the pervasive influence of Marxist analysis on the British Labour Movement in the 1930s.<sup>29</sup>

In 1957, Russia inaugurated the space age with the launch of Sputnik 1.<sup>30</sup> In 1961, the Communist Party of the Soviet Union under Nikita Khrushchev produced what Archie Brown describes as both 'the last authoritative document to take entirely seriously the building of a communist society' and 'a remarkable combination of self-delusion, wishful thinking and, utopianism'.<sup>31</sup> It declared that, by 1970, 'they would have surpassed the United States in production per head of population'.<sup>32</sup> Yoram Gorlizki and Oleg Khlevniuk focus on Riazan, a medium-sized agricultural region 200 kilometres south-east of Moscow, which was the model that would show how the Soviet Union could achieve a great breakthrough in agriculture to match that of Stalin's industrialisation in early 1930s.<sup>33</sup> Alec Nove (alongside many others) predicted in 1961, however, that the Soviet system, of the maximal state running the whole economy by centralised planning, would fail because it would prove to be incapable of handling the complex information requirements of running a modern economy.<sup>34</sup> That was the criticism of central planning that Friedrich von Hayek made in 1945.<sup>35</sup> A fundamental problem of running the economy based on targets was that it resulted in gaming on an industrial scale.

Because central targets could not capture quality, they were often set by weight, which created endemic problems over the quality of consumer goods.<sup>36</sup> For a manager, the consequences of missing the tonnage target under Stalin was, at best, a trip for a short and brutal lifetime in Siberia. So, there were strong incentives *not* to experiment with technological innovations that might have reduced costs and improved quality, because this would interrupt production and put the tonnage target at risk.<sup>37</sup> It is said that when managers did experiment, this was in ways to make the goods they produced heavier. So, if in-year monitoring showed that they might miss their tonnage target, they could switch to heavier means of production. This system was designed to result in shortages, a lack of innovation, heavy goods of poor quality, and baths without bathplugs – the notorious complaint of visitors to the USSR. These failings have been described in many accounts and are summed up in the famous *Krokodil* cartoon of a nail factory cartoon satirising how increasing the weights of products helped to meet quantitative Soviet production targets (Figure 2.1). In the 1960s Khrushchev's unrealistically ambitious targets for agriculture resulted in those who honestly reported their actual performance being 'branded as laggards and publicly humiliated'.<sup>38</sup> Hence gaming became pervasive. The discovery of the scale and pervasiveness of fraudulent reporting of meeting targets in Riazan:

delivered a death blow to the idea that a dictator in Moscow could bring about a great leap forward with the aid of substate dictators in the regions ... it showed that Khrushchev's most vaunted achievements were in fact based on a tissue of lies.<sup>39</sup>

**Figure 2.1: The Krokodil nail factory cartoon**



Worker: 'Who on earth needs a nail like this?'

Manager: 'Ah who cares? The most important thing is that we've immediately fulfilled our nail quota.'

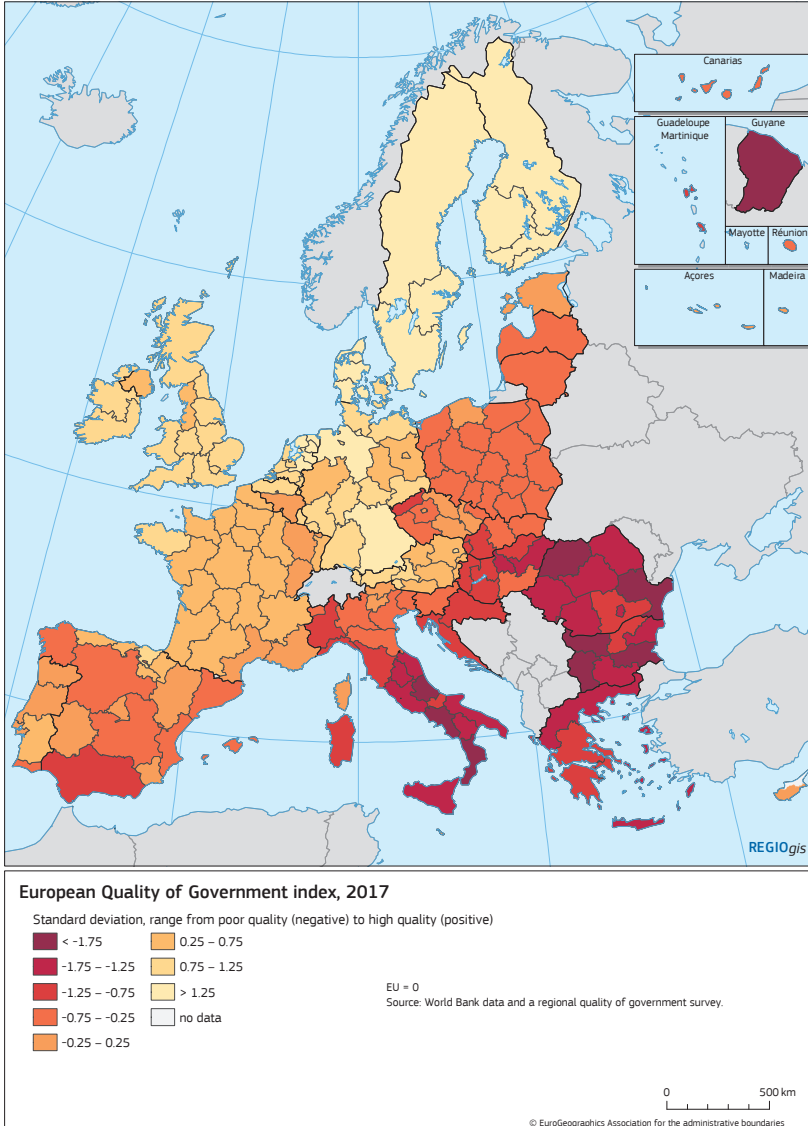
Source: Крокодил [Krokodil].<sup>40</sup>

### 2.3 Governance and corruption effects in Western Europe

Nicholas Charron at the Quality of Government Institute, Gothenburg, has led research in developing and mapping a European Quality of Government Index (EQI) for regions in Europe.<sup>41</sup> The EQI is based on samples of residents of each region answering questions in surveys about three public services (healthcare, education and law enforcement) across four dimensions (corruption, bribery, equity of access, and public services quality). In 2015, Bo Rothstein described the variation in EQI within European countries as greatest in

Italy. The best of Italy's northern regions was comparable with Denmark, but the worst southern regions compared most with African countries.<sup>42</sup> Figure 2.2 shows the most recent data, for 2017. Comparing Italy with the UK, the EQI

**Figure 2.2: Map of the European Quality of Government Index scores at regional level, in 2017**



Source: European Commission.<sup>43</sup>

Notes: The average score for the EU as a whole is set to zero. The dark orange to red shading indicates increasing negative scores, below the EU average. The lighter oranges show regions with positive numbers, above the EU average.

score for the best region in Italy was lower than for the worst region in the UK. The worst scores are for Italy's southern regions.

Robert Putnam et al sought to explain the marked differences they found, in 1974, in the capabilities of regional governments in the north and south of Italy after regional devolution.<sup>44</sup> Figure 2.3 gives a map of Renaissance Italy, whose fragmented condition persisted in many different permutations right through to the country's national unification (led by Piedmont, situated in the country's far north-west) in 1861. In the north of Italy, the powerful city mediæval republics created strong social capital with 'an ethic of civic involvement social responsibility, and mutual assistance among equals'.<sup>45</sup> These civic virtues survived the fall of those republics, despite a growth in inequality, exploitation and factional conflict. That is why, centuries later in the 1870s, various communal institutions developed in the north (such as 'agrarian associations, mutual aid societies, chambers of commerce, and savings banks') that proved crucial for fostering rapid modern capitalist development.<sup>46</sup>

However, Italy's southern regions were governed by the autocratic regimes of foreign kings (the Hapsburgs and the Bourbons) from 1504 until 1860. Their feudal-like regimes maintained the primacy of vertical ties of dependence and exploitation by 'promoting mutual distrust and conflict among their subjects, destroying ties of solidarity in order to maintain the primacy of vertical ties of dependence and exploitation'.<sup>47</sup> The absence of social capital and civic virtues in the south resulted in weak institutions, which in turn 'strengthened the family, the clientage and *Mafiosi* positions'. There are two causes of regional inequalities in modern Italy. First, the southern regions' low social capital. Second, the culture of *omertà*, which requires men to avenge offences without the help of authorities and avoid contact with the police – to do that brings a loss of respect and threats.<sup>48</sup> That sustains organised crime and undermines effective government in its three poorest regions, which are, in order of their declining poverty, Campania, Sicily and Calabria.

The Sicilian Mafia is well known from the *Godfather* films and the *Montalbano* television series – the last episode of *The Young Montalbano* ends with the actual assassination via car bomb of prosecuting magistrate Giovanni Falcone by the Mafia on 23 May 1992. On 19 July 1992, his friend and fellow magistrate Paolo Borsellino was also assassinated by the Mafia with another car bomb. Both had taken on the Mafia with great success and dauntless courage knowing full well that they were on Mafia hit lists for assassination. In January 2023, Italian investigators captured the 60-year-old Messina Denaro at a clinic in Palermo, Sicily's capital. He had helped 'orchestrate the devastating 1992 car bombings in Palermo that killed Giovanni Falcone and Paolo Borsellino'.<sup>49</sup>

Miles Johnson, Rome correspondent of the *Financial Times*, explains how the subsequent success of the Italian state in taking on the Mafia created a market opportunity for the 'Ndrangheta, based in Calabria, to take over Latin



Figure 2.3: Map of Renaissance Italy, 1350 to 1600



Source: Wikimedia Commons (User: Shadowxfox; User: Enok), available under a Creative Commons Attribution-Share Alike Licence (CC BY-SA 3.0).<sup>50</sup>

American drug cartels. The power and reach of the 'Ndrangheta in Calabria was uncovered by an investigation by the *Financial Times*.<sup>51</sup> In one case they detailed, a financial bond became, in fact, a financial spin-off from organised crime that exploited the grieving families of those who die in the hospital of the Calabrian city of Lamezia Terme. Here, a funeral company had through intimidation gained access to the hospital's central medical records and so knew before a father did that his son was going to die and so was able to make him an offer to bury his son that he could not refuse. Johnson explains how the 'Ndrangheta has financialised its organised crime:

From 2015 to 2018, hundreds of millions of euros of invoices signed off by officials in Calabria's cash-strapped municipal health authorities were purchased by intermediaries. These middlemen bought the unpaid invoices from suppliers at a steep discount because they were, in effect, guaranteed by the Italian state. They were then sold on to specialist financial companies, who merged them into pools of assets and sold investor bonds backed by the unpaid bills.<sup>52</sup>

Johnson cites a US diplomatic cable of 2008 that observed that, 'if it were not part of Italy, Calabria would be a failed state'.<sup>53</sup> He singles out the public prosecutor Nicola Gratteri, who was born in Calabria and lived there almost his entire life, for his bravery in taking on the 'Ndrangheta: 'Gratteri has been under permanent police protection since 1989 and is unable to leave his office in Catanzaro without a bodyguard'.<sup>54</sup> The BBC reported that, in November 2021, Gratteri's 30-year campaign against local corruption resulted in sentencing 70 members of the 'Ndrangheta in 'maxi trials' that took place behind closed doors in a specially converted courtroom in Lamezia Terme. In addition, 'over the next two years, 355 alleged mobsters and corrupt officials will face court for their involvement with Italy's richest and most powerful organised crime group'.<sup>55</sup>

Roberto Saviano's book *Gomorra* describes the grip of another notorious branch of Italian financialised organised crime, the Camorra in Campania (capital Naples).<sup>56</sup> He also lives under constant threat of assassination. His book *Zero Zero Zero* (2016) describes how organised crime relies on the City of London and Wall Street to launder money from cocaine.<sup>57</sup> Jennifer Shasky Calvery gave an estimate to the US Congress in 2012 of the scale of transnational organised crime when she was chief of the Asset Forfeiture and Money Laundering Section of the Department of Justice: \$1.6 trillion was laundered through the global financial system; about \$600 billion was related to transnational organised crime.<sup>58</sup> London has been described as the money laundering capital of the world by *The Times* (2014), the *New York Times* (2021) and the *Financial Times* (2022).<sup>59</sup>

## 2.4 Social capital, governance and innovation

In the 1949 film *The Third Man*, which has been consistently voted one of the greatest British films ever made, Harry Lime (played by Orson Welles) observed this paradox:

You know what the fellow said – in Italy, for 30 years under the Borgias, they had warfare, terror, murder and bloodshed, but they produced Michelangelo, Leonardo da Vinci and the Renaissance. In Switzerland, they had brotherly love; they had five hundred years of democracy and peace – and what did that produce? The cuckoo clock.<sup>60</sup>

In *Germany, Memories of a Nation* Neil McGregor points out that, whilst Harry Lime was right about the extraordinary creativity of the Italian Renaissance under the Borgias, he was almost certainly wrong in crediting Switzerland with the invention of the cuckoo clock. He suggests that the sounds we associate with Germany might be a Bach cantata, a Beethoven symphony, a Wagner opera, or the crowd's roar as its football team used to beat England. But he would add another sound: that 'of metal on metal, the hum and thrum of skilled engineering'.<sup>61</sup> McGregor explains that this dates back to the 14th century, when workshops of skilled metalworkers developed. They led the world in the production of clocks and watches; complex scientific instruments (requiring a mix of mathematics, science and creative industry); production of the first internal combustion engines (in the 1880s); and the first working motor cars by Daimler-Benz. The crisis of the 1930s resulted in a combination of mass unemployment and hyperinflation, which impoverished its middle class and meant they could not afford to buy cars.

So, although our image of modern Germany is of a dominant automobile industry, its development was stalled in the 1930s, when it was reduced to producing small numbers of fine limousines for plutocrats. Hitler aimed to rectify that. He asked Ferdinand Porsche to design a cheap, sturdy people's car (Volkswagen) that could be left outside in the street at night (hence designed to be air-cooled). The prototype of his VW Beetle was produced just before the outbreak of the Second World War in 1938.<sup>62</sup> After the end of the Second World War, the Soviet system was rigorously applied within the eastern sector of the divided Germany. Thus it created the basis for a remarkable 'natural experiment'. From 1945 to 1989 the Soviet bloc East Germany and the Western capitalist Federal Republic shared much the same well-established traditions of skilled engineering and manufacturing. Each had to cope with the devastation of losing the Second World War.

After the war, over 20 million VW Beetles were produced, first in West Germany and later in 13 other countries. It has been described as the 'first global car in terms of popularity, affordability and presence' and is famous for its 'impeccable quality and durability'.<sup>63</sup> German cars produced by Volkswagen, Audi, BMW, Porsche and Mercedes symbolise the German reputation for skilled engineering and high quality in mass production. In East Germany, the Audi factory in Zwickau was 'sequestered by the occupying Soviet Army, dismantled, then reconstituted as part of the state-owned automobile VEB'.<sup>64</sup> That factory produced the Trabant, which was East Germany's rival to the Beetle. It first rolled (or was it pushed?) off the production line nearly 20 years after the first Beetle prototype. The Trabant is a strong contender for being one of the worst cars made in the second half of the 20th century. Its distinctive features included:

- No fuel pump: fuel reached the carburettor by gravity, which required the Trabant to be designed with its fuel tank above the engine. In accidents this brought the added excitement of a serious risk of fire.

- No fuel gauge: a dipstick had to be inserted into the tank to determine how much fuel remained.
- No indicators for turning.
- A two-stroke engine that was highly polluting. The driver had to fill the tank and shake it to mix gasoline with oil.
- The ‘acceleration of the Trabant’ was an excellent example of an oxymoron.<sup>65</sup>

The ‘consumers’ of East Germany who wanted to buy a new Trabant had to pay more than a year’s average income and, if you lived a long way from Berlin, wait up to 13 years (Berliners might have to wait for 10 years only), or pay double that for a second-hand Trabant.<sup>66</sup> It is fitting that the abiding image of the Trabant is as the means of escape from East to West Germany after the demolition of the Berlin Wall in November 1989.

## 2.5 The institutions of capitalism in the UK and Germany

Although in the 1920s and 1930s the British suffered mass unemployment (see Chapter 3), unlike in Germany, the British middle class could afford to buy motor cars from various manufacturers: Humber, Austin, Hillman, Morris, Riley, Rover, Singer, Standard, Sunbeam, Triumph and Wolsey. The British were the first to put the VW Beetle into mass production in Germany after the end of the War – for their forces of occupation. British car manufacturers decided against its production: the Beetle did not meet ‘the fundamental requirements of a motor car’ and was ‘quite unattractive to the average buyer’<sup>67</sup> (an error of judgement comparable to that of the record company that turned down the Beatles in 1962<sup>68</sup>). In the UK, a succession of mergers failed to remedy key structural problems that resulted in the successive production of badly designed cars of poor quality by the top firm: the British Motor Corporation, from 1952 to 1968; British Leyland from 1968 to 1986; and the Rover Group from 1986 to 2005.<sup>69</sup> The car industry that exists in Britain today is completely managed under foreign owners committed to designing and manufacturing high-quality cars. If we were to think of how to characterise car industries as movies after the end of the Second World War, that for West Germany would be a feelgood movie, that for East Germany a B movie in monochrome, and that for Britain would be *Carry On Making Motor Cars*.

So central planning in East Germany and the market in the UK failed to produce cars of the quality of West Germany. Why did the market work in West Germany and fail in the UK? In 1996, the *Economic Journal* published three articles by British economists that had aimed to ‘explore the causes of the poor British industrial performance over the period since 1960, with a particular focus on the significance of deindustrialisation and the role of policy in the relative decline.’<sup>70</sup> A commentary by Barry Eichengreen argued that they had failed to diagnose the root cause, which was that Britain’s institutional arrangements had not changed from those that had enabled its early

industrialisation.<sup>71</sup> In Germany and France, defeat in the Second World War had created windows of opportunity for institutional renewal that was missing in Britain:

The inheritance of undersized firms, an impersonal financial system, and a fragmented structure of industrial relations remained. The dominance of the stock market encouraged managers to think in terms of short horizons and heightened their sensitivity to financial-market conditions; long-term investment was thereby made difficult. The fragmentation of the union movement made it impossible to secure agreements to moderate wages and coordinate the changes in work rules necessary to justify the adoption of new technologies. Lack of cooperation between unions, employers' associations and government made it infeasible to adopt a German-style system of apprenticeship training.<sup>72</sup>

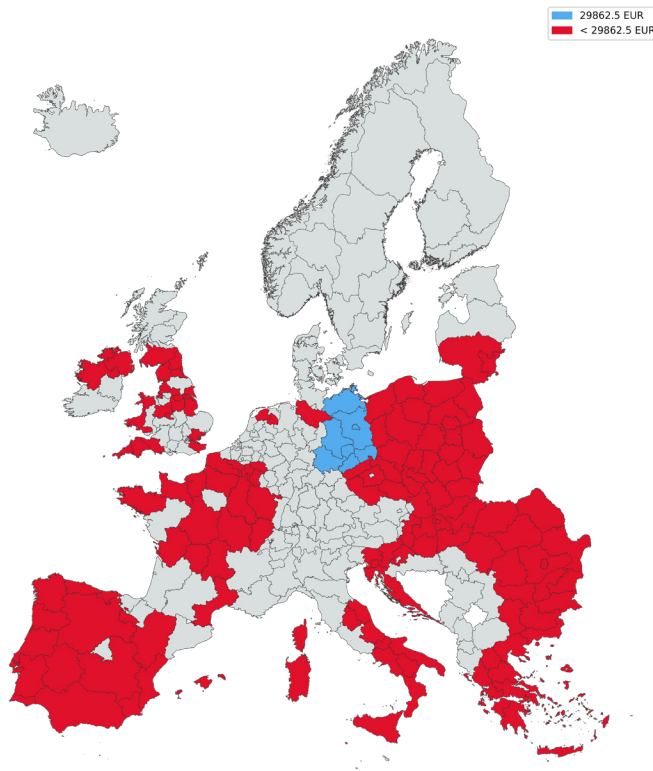
So the UK's banking system specialised in the provision of trade credit rather than industrial finance; its industrial structure was dominated by atomistic, single-plant firms and a system of fragmented, craft-based unionism. What Britain had required were networks of investment banks lending to large enterprises that challenged unions in implementing the technologies of modern mass production. But, Eichengreen concluded, those changes would need to develop in concert, which would not happen under Britain's market institutions.<sup>73</sup>

Bernard Rieger explains the four key developments in Germany that explain its success.<sup>74</sup> These and the institutional differences from Britain and Germany were:

1. *Government*: after the Second World War West Germany took the vital step of recreating its apprenticeship system (for over 300 trades) to develop a highly skilled workforce in future capable of manufacturing goods of the highest quality. This linked to a system of secondary education with different academic and technical schools (*gymnasiums* and *technische hochschule*).
2. *Quality*: Volkswagen focused remorselessly on improving quality, even when demand for Beetles outstripped their capacity to produce them. By contrast, as discussed in Chapter 5, the dysfunctional consequences of financialisation for the UK's economy means senior executives are driven to focusing on making profits and maximising shareholder value.
3. *Institutions*: German industries are governed in ways where their workers are recognised as stakeholders in companies. In addition, German banks financed firms with patient capital, rather than the UK pattern of acute pressure from financial markets for quick returns.
4. *Identity*: the focus on production quality was central to a mission to redefine the identity of what it meant to be German. From 1955, when Volkswagen started to export more cars than they sold at home, they

saw their mission as exporting much more than a commodity. It was about the meaning and identity of being German. Bernard Rieger observed ‘there being something psychological about this German pinning of success to the maintenance of high quality’ and ‘the rehabilitation of the label “made in Germany”, to symbolise high-quality engineering and manufacturing.’ (At that time, it would have been unthinkable for Volkswagen to design the ‘diesel dupe’ for exports to the US, which was discovered in 2015. This device switched the engine into a sort of safety mode when operating under the controlled laboratory conditions used for tests. Here the engine ran below normal power performance and seemed to meet regulatory standards. But, once on the road, the engines switched out of this test mode and it emerged that they then emitted nitrogen oxide pollutants up to 40 times above what was allowed in the US.<sup>75</sup>)

**Figure 2.4: Regions in European countries with lower GDP per capita than former East Germany in 2017**



Source: Data from Eurostat.<sup>76</sup>

Notes: Map shows regional data for UK, Italy, Germany and other European countries.

After 45 years of communism, Maddison estimated that, in 1991, GDP per capita in East Germany was 28 per cent of that in West Germany (5,400 and 19,400, respectively, in US\$).<sup>77</sup> In comparison, in the UK, after deindustrialisation in 1994, GDP per capita in the poorest region was 50 per cent of the richest region (£7,000 in West Wales and the Valleys and £14,000 in London).<sup>78</sup> The fall of communism was a critical juncture that resulted in a Rebuilding the East (Aufbau Ost) programme in Germany. The government spent €1.7 trillion, over 25 years, on infrastructure projects in a ‘modern equivalent to the Marshall plan.’<sup>79</sup> This included modernisation of railway lines and rolling stock and building a new network of *Autobahnen*. Volkswagen reconfigured the former Trabant works and Opel, Porsche and BMW now each have a presence in the former East.<sup>80</sup> The result has been the eroding of the fault lines between East and West Germany.

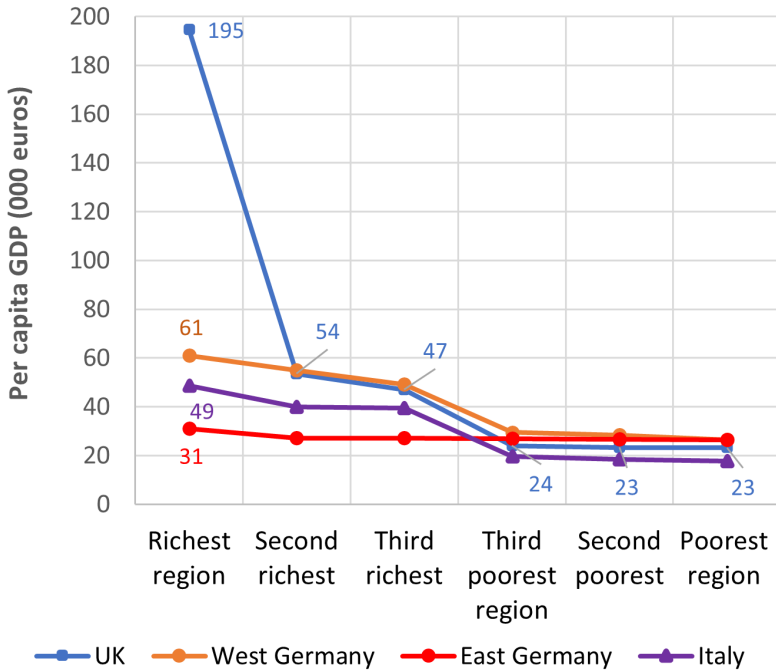
In the UK and the US, the fall of communism enabled the rise of neoliberalism, which has deepened fault lines in these countries. Gerstle argues that, as ‘there seemed to be no challenge to the capitalist way of organising economic life’, there was no need to continue to pay workers high wages.<sup>81</sup> With the collapse of communism, Margaret Thatcher was able to argue in the 1980s that ‘There Is No Alternative (TINA)’ to the neoliberal reforms she implemented. Figure 2.4 uses Eurostat data to compare the per capita GDP in the regions of the former East Germany with other regions across Europe and the UK as a whole. Every region shaded red had a lower per capita GDP than the eastern Germany regions (shaded blue). Eastern Germany outperformed not only all regions in the other former Soviet bloc countries to the east but also all of Greece, almost all of Spain and Portugal, a swathe of Southern Italy, much of France and large parts of the UK.

In 2019, Eurostat data show that the mean GDP per capita (in Euros) in the former *Laender* of East Germany had increased to over 70 per cent of the former regions of the West (€28,000 and €38,000).<sup>82</sup> Figure 2.5 uses Eurostat data and data from the Office for National Statistics in the UK.<sup>83</sup> The richest and poorest regions or cities (with GDP per capita in €s in parentheses) in the UK, Italy and western and eastern Germany were:

- UK: Inner London – West (€195,000) and Tees Valley and Durham (€23,000);
- Italy: Bolzano (€49,000) and Calabria (€18,000);
- West Germany: Hamburg (€61,000) and Lüneburg (€27,000);
- East Germany: Leipzig (€31,800) and Mecklenburg-Vorpommern (€27,000).

The mean GDP per capita of the UK’s richest region was eight times that of its poorest, compared with less than three times in Italy and West and East Germany. This is not due to Inner London – West having a small population: its 1.2 million is comparable with Hamburg (1.9 million) and more than twice that of Bolzano (0.5 million). The regions of East Germany were richer in

**Figure 2.5: GDP per capita in 2019 in euros for the UK, Italy, the former West Germany regions, and the former East Germany regions**



Source: Eurostat and the Office for National Statistics in the UK.<sup>84</sup>

2019 than the three poorest regions in Britain. Italy's three poorest regions are those impeded by varieties of organised crime: Campania, Sicily and Calabria.

Luke Raikes argues that systems of governance and finance were vital to the economic transformation of the *Laender* of East Germany, and are serious handicaps for tackling the UK's structural inequalities.<sup>85</sup> In Germany, the federal government works with its 16 *Laender*, the different political parties collaborate, and the *Laender* work cooperatively and learn from each other in their federal laboratory. Figures 2.4 and Figure 2.5 show that the UK's systems of governance and finance have created fault lines comparable with those of 45 years by communism in East Germany and organised crime in Southern Italy. To illuminate this conundrum, I want to explore the contrasting post-1945 histories of a town and a city in England: Oldham, where I was brought up, and Oxford, near to which I now live.

## 2.6 Oldham and Oxford: divergent development in the UK

When he was serving as ambassador to India in the early 1970s, former Senator Daniel Moynihan was asked what Bombay (now Mumbai) needed to do



to become a great global city. He replied, 'Build a world-class university and wait 200 years.'<sup>86</sup> When I went by train to Oxford station, in 1965, Oxford had one small ancient but exclusive university. The signs on the station platforms said, 'Welcome to Oxford – the home of Pressed Steel Fisher.' The car industry at Cowley, which was only a few miles from the heart of the university, belonged in another world. Oxford undergraduates at that time enjoyed a grant for living expenses and paid no tuition fees, while they enjoyed the privileges of weekly hour-long tutorials, with at most a few other students, from outstanding individual scholars. I found its beauty was breath-taking.

Over the years since, Oxford has enjoyed a virtuous circle in which success breeds success. The university's academic excellence has attracted outstanding researchers who won the research grants that came to generate its main source of income (over £600 million per year).<sup>87</sup> In turn, these grants attracted more outstanding researchers, who further enhanced its academic excellence. In 1992, Oxford Polytechnic became Oxford Brookes University and the old and new universities together have about 24,000 full-time students each year. Knowledge-based businesses have been thriving and the economy has been growing nearly twice as fast as the national average.<sup>88</sup> The city has become a major hub for biotech, publishing and high-tech engineering. An investment firm, Top Tier, cites the city as being the originator of four 'unicorns' – the name given to start-ups worth more than US\$1 billion.<sup>89</sup>

Average salaries in Oxford have been among the highest in the UK and two-thirds of workers are in managerial and professional occupations.<sup>90</sup> So many residents commute to London that a second railway station, Oxford Parkway, was opened in 2015, operated by a different company on a different train route. On a good day, the journey time to London (over 50 miles away) is about an hour from its stations. Oxford's worldwide academic reputation means that it is an attractive location for its 18 independent schools, with about 14,000 pupils. Oxford's mediaeval buildings mean that it also has a thriving tourist industry, which attracts 7 million tourists who spend nearly a billion pounds and come to visit its art galleries, and go to its theatres, concerts and cinemas.<sup>91</sup>

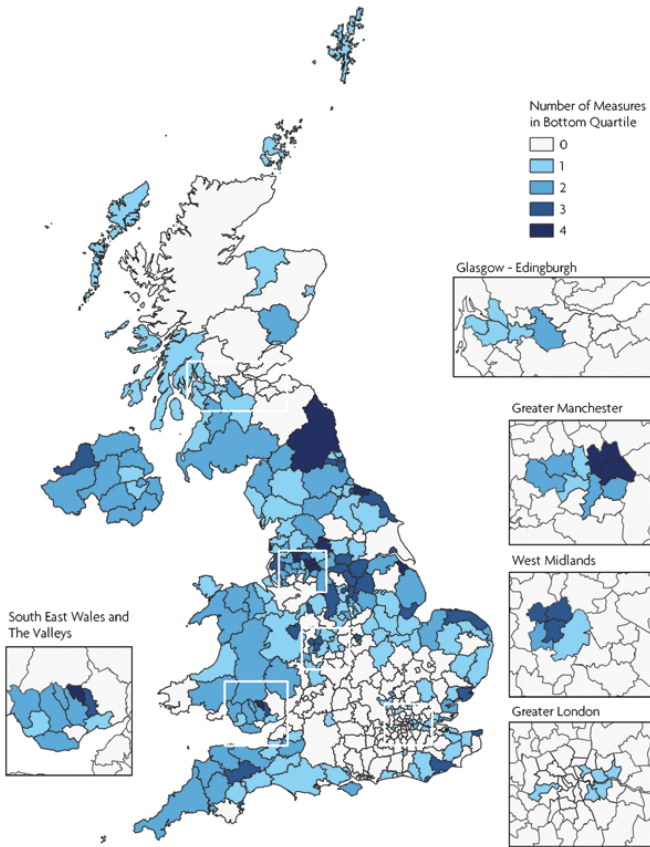
Oldham's mid-Victorian heyday, with its smokestacks and thriving industries, epitomised the northern saying that 'where there's muck there's brass'. My memories of Oldham, in the 1950s and 1960s, are of a bustling town full of vitality with people who were warm, welcoming, friendly and hospitable. From its Repertory Theatre, many actors went on to starring roles in *Coronation Street*.<sup>92</sup> In 1978, it became Oldham's Coliseum and Minnie Driver and Ralph Fiennes performed there. Oldham's grand town hall was recently restored, having stood empty and decaying for over 30 years – as frontage for a cinema. A letter in *The Guardian* told of a man, in the 1950s, asking a ticket officer in Delhi in India for a train to Oldham. He was asked: 'Do you want Oldham Mumps, Oldham Werneth, Oldham Clegg Street, or Oldham Guide Bridge, sir?'<sup>93</sup> In 2009, Oldham 'probably achieved the

distinction of being the largest town in Britain without a train service.<sup>94</sup> Its landmark railway bridge was removed to make way for the Metrolink tram service across Greater Manchester, which opened in 2012. The nine-mile journey from Oldham to Manchester now takes much longer by tram – over 40 minutes.

In January 2023, Sebastian Payne gave a grim description of Oldham. It has lost shops, restaurants and three of its police stations. It has scores that are high for reported crime and low for trusting neighbourhoods and social fabric. He quotes the locals saying that taking a tram to Manchester means venturing into an empty and threatening carriage, so ‘You take your life into your hands for a £3.60 return’ and ‘There is not a chance you walk round Oldham town centre on your own.’<sup>95</sup> In November 2022, the Arts Council of England decided to stop funding the Oldham Coliseum Theatre from its National Portfolio, so performances ended there after the funding ended in April 2023.<sup>96</sup> A leader in *The Guardian* points out that every £1 of public money spent on a local theatre generates £8 for its local economy.<sup>97</sup> University Campus Oldham, which opened in May 2005, offers degrees that are validated by a number of universities. It has 10,000 full-time and part-time students on higher education courses.<sup>98</sup> Oldham’s three independent schools have about 1,000 pupils.<sup>99</sup>

What has happened to Oxford and Oldham is emblematic of the way that deepening fault lines became established following deindustrialisation in Britain (and in so many other countries). Daniel Markovits describes deindustrialisation and financialisation of economies producing the divide, based on university education, between those with ‘gloomy’ and ‘glossy’ jobs.<sup>100</sup> ‘Gloomy’ jobs are concentrated in the large areas of England, Wales and Scotland that remain scarred by the collapse of their dominant industries, especially manufacturing, mining, steel and shipping. These are the blighted communities that have been left behind in Britain and voted for Brexit.<sup>101</sup> Deborah Mattinson has used focus groups to understand why Labour’s ‘red wall’ of previously safe working-class seats voted for Brexit and crumbled to the Boris Johnson’s populist Conservative message in the 2019 general election. She points out that Brexit was the symptom; the cause was that those who live in places like Oldham feel that they have been failed by successive governments in the living standards they experience and the prospects for their children.<sup>102</sup>

Figure 2.6, from the Johnson government’s 2022 ‘Levelling Up’ White Paper, maps key indicators showing the areas that are left behind in the UK. This is based on local authorities in the bottom quartile for level 3+ equivalent skills in the adult population, gross value added (GVA) per hour worked, median gross weekly pay and healthy life expectancy. It shows the extraordinary persistence of the fault line that runs from the Severn to the Wash. Those with ‘gloomy’ and ‘glossy’ jobs tend to live north and south of that line. There are pockets of acute deprivation in the North East, Greater Manchester and South

**Figure 2.6: Which places in the UK are most left behind?**

Source: Secretary of State for Levelling Up, Housing and Communities. Available under Crown copyright, published under the Open Government Licence 3.0.<sup>103</sup>

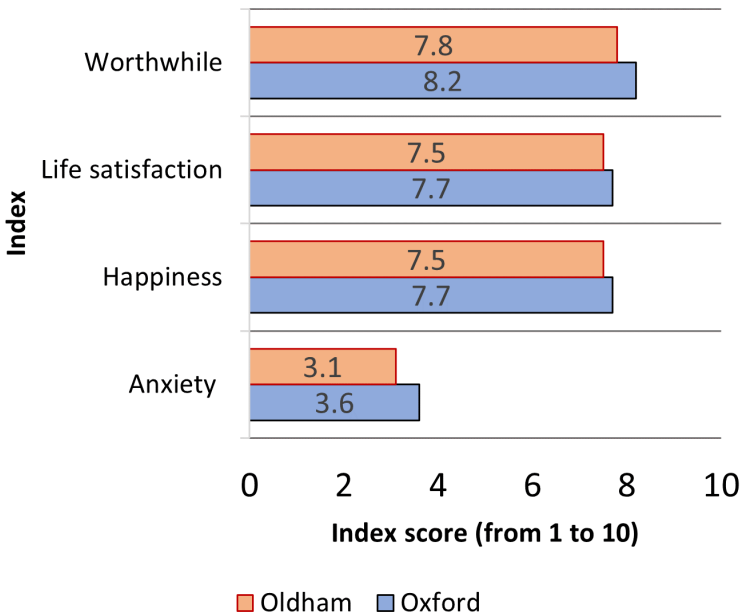
Notes: Shows local authorities in the bottom quartile for level 3+ equivalent skills in the adult population, GVA per hour worked, median gross weekly pay and healthy life expectancy.

East Wales and the Valleys. The map also shows that the South West has been left behind too.

The obvious inference from this analysis is that we would expect those with 'glossy' jobs in Oxford would enjoy much higher levels of life satisfaction than those with 'gloomy' jobs in Oldham. Markovits argues, however, that financialisation makes lives difficult for both. And Figure 2.7 shows little difference in various measures of life satisfaction.

In April 2022, the median gross weekly earnings for full-time employees were £720 in Oxford and 24 per cent higher than in Oldham (£580).<sup>104</sup> Figure 2.8, also from the Levelling Up White Paper, maps the ratio of house prices to residence-based earnings for local authority districts in England and

**Figure 2.7: Residents' view of wellbeing in Oldham and Oxford are very similar (in 2021–22)**

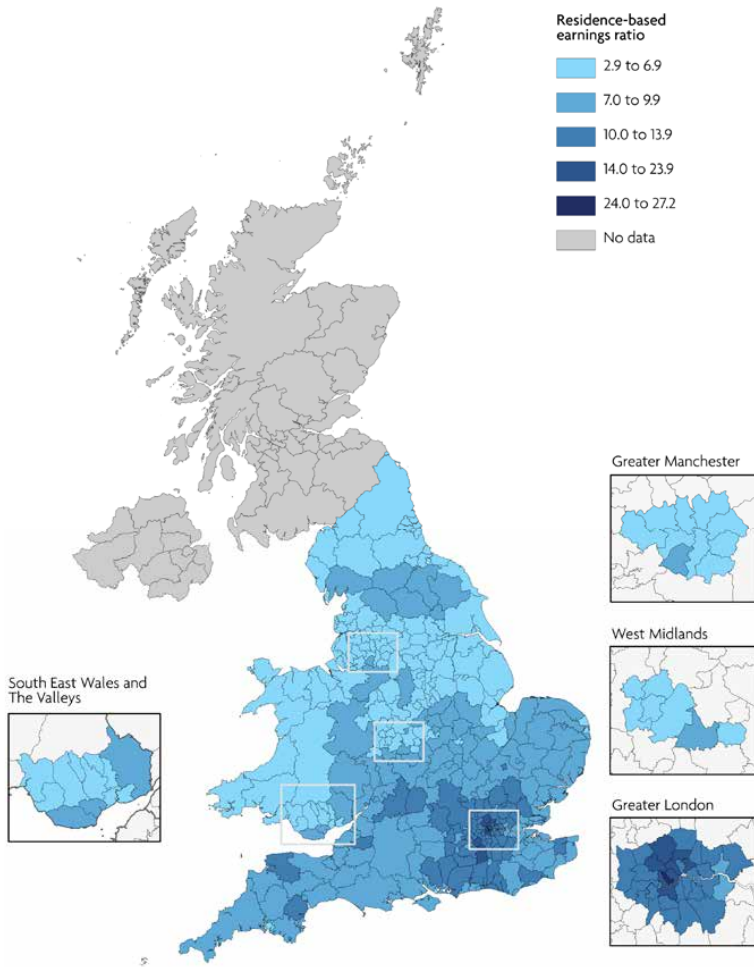


Source: Office of National Statistics and *Daily Mail*.<sup>105</sup>

Wales for 2020, which were in the range from 3 to 7 for Oldham, but in the range from 10 to 14 for Oxford.<sup>106</sup> In 2020–21, there were shocking numbers of children living in poverty (after housing costs) – 26 per cent in Oxford and 40 per cent in Oldham (and doubtless even higher in its most deprived areas).<sup>107</sup> Oxford's housing crisis is a consequence of the financialisation of private house building and the decline in the supply of social housing in the UK (see Chapter 5). The local governments of Oxfordshire are trapped on a hamster wheel. They are rightly under pressure from central government to do something about Oxford's acute housing shortage. But giving planning permission to private developers to build thousands of new homes means that most are affordable only to those who commute to London (and pay the costs in time and rail fares). It does little for those on middle and low incomes. The lack of social housing means that those who cannot afford a mortgage are faced with private rents that reflect the high prices of property relative to earnings.

The house price differential means that nurses and teachers who could afford to live in Oldham would struggle to do so in Oxford. The main acute hospitals in Oxford and Oldham are the John Radcliffe and the Royal Oldham, respectively. In 2023, the Care Quality Commission's 'overall assessment' was

**Figure 2.8: Ratio of house prices to residence-based earnings across local authority districts in England and Wales, in 2020**



Source: Secretary of State for Levelling Up, Housing and Communities. Available under Crown copyright, published under the Open Government Licence 3.0.<sup>108</sup>

that each required improvement.<sup>109</sup> The Education Policy Institute (EPI) has developed its contextual measure of performance, which aims to measure the impact of school quality, rather than the characteristics of school admissions.<sup>110</sup> It was used to rank the performance of 236 academy chains and local authorities in 2017 at the key stage 2 (for pupils aged seven to 11): Oxfordshire was ranked 129th and Oldham 195th.<sup>111</sup> The EPI reported that the average grades for English and maths at GCSE in 2020 in Oldham and Oxford were 4.34 and 5.02. But 33 per cent of Oldham's pupils were 'disadvantaged' (that is, eligible for free school meals over the past six years), which was more than

twice that in Oxford (15 per cent). The pupils who were disadvantaged in Oldham achieved grades closer to the national average for non-disadvantaged students than in Oxford: the attainment gaps were 1.45 and 1.53.<sup>112</sup>

For government to change Britain for the better we need a better rallying call than the Johnson government's meretricious and (as it turns out) short-lived promise of 'levelling up'. One informed commentator observed that 'It's hard to think of a more stupid phrase' and it has been banned by the government in a 'mercy killing'.<sup>113</sup>

For Oldham, a town whose community has been blighted by deindustrialisation, there are no 'quick win' strategies that within a generation could create employment opportunities that come close to those of Oxford. For example, what would be the impact of enabling University Campus Oldham to be upgraded to full university status, combined with reopening Oldham's railway line? A useful comparator here is Bolton, which is also in Greater Manchester. It has a railway station (with about 50 trains a day to Manchester, with the 15-mile journey taking around 20 minutes) and a new university, Bolton Institute, whose leadership delivered signal achievements. The institute gained the right to award taught undergraduate degrees in 1992 and research degrees in 1996. By 2004 it had won full university status. In the Complete University Guide's university league tables for British universities for 2023, Bolton was ranked '1st for student satisfaction in the North West since 2019'.<sup>114</sup> (By contrast, LSE was ranked 56th nationally in that year.<sup>115</sup>) But, in the wider rankings across multiple 'excellence' criteria, Bolton was ranked 124th. Cambridge, Oxford, LSE, Imperial College and UCL (all in the south-east UK's 'golden triangle') were in the top 10.<sup>116</sup> The Institute for Fiscal Studies (IFS) estimates of average earnings at age 29 by graduates from higher educational institutions ranged from £22,000, for the University of Bolton, to £60,000 at the top (for LSE).<sup>117</sup> (These estimates are at 2018 prices, and cover those in sustained employment, including dropouts, excluding self-employment income and people at the extremes at the 1st and 99th percentiles.) These factors suggest that there is no prospect of Bolton becoming a world-class university within a generation. And, even with its new university and a railway station, 24 per cent of Bolton's 177 small areas were included in the 10 per cent most deprived in Britain (as measured in the 2011 Index of Multiple Deprivation), compared with 30 per cent in Oldham and 1 per cent in Oxford.<sup>118</sup>

In 2001, Oldham was one of the towns that featured in national news for riots. These were investigated by the Community Cohesion Review Team, which was chaired by Ted Cattle. Their report gave a salutary warning to national and local governments:

Unfortunately, the programmes devised to tackle the needs of many disadvantaged and disaffected groups, whilst being well intentioned and sometimes inspirational, often seemed to institutionalise the problems. The plethora of initiatives and programmes, with their baffling array of outcomes, boundaries, timescales and other conditions, seemed to ensure divisiveness and a perception

of unfairness in virtually every section of the communities we visited.<sup>119</sup>

The population of East Germany in 1990 was similar to the total of four English regions that have been most 'left behind' (the South West, North West, Yorkshire and the Humber, and the North East), plus Wales.<sup>120</sup> Spending there on the same scale as in the former East Germany would mean committing £7 billion a year from now until 2047, which is about 1 per cent of the UK's GDP. Even given the current anaemic prospects of the British economy, that ought to be manageable. But history and institutions also matter. What worked so well in Germany was partly rooted in its constitution, designed by the Allies after the Second World War and imposed on a defeated (and subsequently grateful) nation.<sup>121</sup> As later chapters make clear, the British history of undermining local government goes back to 1945–51, resulting in a heavily centralised state.

In 2017, the government identified the development of local industrial strategies (LISs) as a key commitment of its national industrial strategy. In 2018, the government established the Industry Strategy Council (ISC) to provide impartial and expert evaluation of their progress. In July 2020, Anna Romaniuk et al produced a report on the policymaking processes behind LISs for the ISC. They highlighted England's systemic weaknesses in tackling its endemic and acute problem of low productivity. England lacks local capability, co-production by local and central government, and coordination across central government.<sup>122</sup> The ISC's last annual report, published in April 2021, identified 'Levelling Up' as the government's most important mission. It argued that sustained local growth in places like Oldham requires investment in the local capacity and capability to develop and implement local strategies that cover infrastructure, skills, sectors, education and culture.<sup>123</sup> The ISC was abolished in March 2021.<sup>124</sup>

In April 2022, the government published its Levelling Up White Paper (see Figures 2.6 and 2.8).<sup>125</sup> Although it emphasised the importance of devolving power, its constant refrain was that 'the UK government will' (a phrase repeated nearly 200 times). There was no exploration of how to make devolution work more effectively with the governments in Scotland and Wales. That would have entailed collaboration between different political parties that was so vital in Germany. Nor did the White Paper identify the important changes needed to create opportunities in the areas that have been 'left behind'. The massive challenge for future governments is not 'levelling up' but enabling different kinds of prosperity in different places from effective devolution.

## Conclusions

The causes of major geographical fault lines and inequalities found elsewhere in Europe – the institutions of feudalism, communism, or

organised crime – cannot explain the different geographical fault lines that have developed in the UK. But weak regional social capital and the state-centralism of the UK compared with post-war Germany seem to have played a role. Chapter 1 also showed how different systems of centralised/professionalised governance in the NHS were perfectly designed to enable the scandals at the Bristol Royal Infirmary Mid Staffordshire NHS Foundation Trust. In the next chapter I show in detail how the way British systems of governance have developed in ways that cause both the UK's current governance malaise and its deep-set territorial fault lines, starting with the history and ideas that shaped Britain's pre-war institutions and created the agenda tackled by the Attlee settlement.

## Endnotes

- <sup>1</sup> Prime Minister's Office, 10 Downing Street (2021) *The Prime Minister's levelling up speech: 15 July 2021*, UK Government: Government Reform, 15 July.  
<https://www.gov.uk/government/speeches/the-prime-ministers-levelling-up-speech-15-july-2021>
- <sup>2</sup> Acemoglu, Daron and Robinson, James (2012) *Why nations fail: The origins of power, prosperity and poverty*, UK: Profile.
- <sup>3</sup> Intriligator, Michael; Wedel, Janine; and Lee, Catherine (2006) 'What Russia can learn from China in its transition to a market economy', in Verweij, Marco and Thompson, Michael (eds) *Clumsy solutions for a complex world*, UK: Palgrave Macmillan, pp.105–31.  
[https://link.springer.com/content/pdf/10.1057/9780230624887\\_5.pdf?pdf=inline%20link](https://link.springer.com/content/pdf/10.1057/9780230624887_5.pdf?pdf=inline%20link)
- <sup>4</sup> Ferguson, Niall (2021) *Doom: The politics of catastrophe*, UK: Penguin, p.131.
- <sup>5</sup> Dobson, R.B. (ed.) (1970) *The peasants' revolt of 1381*, UK: Macmillan, p.59.
- <sup>6</sup> Ferguson, Niall, *Doom: The politics of catastrophe*, p.131.
- <sup>7</sup> Dobson, R.B., *The peasants' revolt of 1381*, pp.64–65.
- <sup>8</sup> Migration Advisory Committee (2020) *Migration Advisory Committee reviews shortage occupation lists*, UK: Migration Advisory Committee.  
<https://www.gov.uk/government/news/migration-advisory-committee-reviews-shortage-occupation-lists>
- <sup>9</sup> Hicks, John (1969) *A theory of economic history*, UK: Oxford University Press. p.112.
- <sup>10</sup> Dobson, R.B., *The peasants' revolt of 1381*, p.66.
- <sup>11</sup> Dobson, R.B., *The peasants' revolt of 1381*, p.69.



- <sup>12</sup> Dobson, R.B., *The peasants' revolt of 1381*, p.62.
- <sup>13</sup> Hatcher, John (1994) 'England in the aftermath of the Black Death', *Past & Present*, vol. 144, p.19. <https://doi.org/10.1093/past/144.1.3>
- <sup>14</sup> Hicks, John, *A theory of economic history*, p.113.
- <sup>15</sup> Rothstein, Bo (2021) *Controlling corruption: The social contract approach*, US: Oxford University Press.  
<https://doi.org/10.1093/oso/9780192894908.001.0001>
- <sup>16</sup> Piketty, Thomas (2020) *Capital and ideology*, US: Harvard University Press, p.251. <https://doi.org/10.4159/9780674245075>
- <sup>17</sup> Nove, Alec (1972) 'War, revolution and revolutionaries', in *An economic history of the USSR*, UK: Penguin, Chapter 2, pp.20–36.
- <sup>18</sup> Marx, Karl (2004) 'The transformation of surplus value into capital', in *Capital* (Volume 1), translated by Ben Fowkes, UK: Penguin, pp.723–60.
- <sup>19</sup> Nove, Alec, *An economic history of the USSR*, p.98.
- <sup>20</sup> Nove, Alec, *An economic history of the USSR*, p.98.
- <sup>21</sup> Nove, Alec, *An economic history of the USSR*, p.103.
- <sup>22</sup> Nove, Alec, *An economic history of the USSR*, pp.109–25.
- <sup>23</sup> Nove, Alec, *An economic history of the USSR*, p.157.
- <sup>24</sup> Applebaum, Anne (2022) 'Holodomor', in *Encyclopedia Britannica*.  
<https://perma.cc/RP5H-ZM6Y>
- <sup>25</sup> Gerstle, Gary (2022) *The rise and fall of the neoliberal order: America and the world in the free market era*, UK: Oxford University Press, p.29.  
<https://doi.org/10.1093/oso/9780197519646.001.0001>
- <sup>26</sup> Gerstle, Gary, *The rise and fall of the neoliberal order*, p.32.
- <sup>27</sup> Luce, Edward (2020) 'Will America tear itself apart? The Supreme Court, 2020 elections and a looming constitutional crisis', *Financial Times*, 15 October. <https://perma.cc/QZ9X-7BNC>
- <sup>28</sup> Gerstle, Gary, *The rise and fall of the neoliberal order*, pp.23–24.
- <sup>29</sup> Crosland, Anthony (1963) *The future of socialism*, US: Schocken, p.1.
- <sup>30</sup> Brown, Archie (2010) *The rise and fall of communism*, UK: Vintage, p.260.
- <sup>31</sup> Brown, Archie, *The rise and fall of communism*, p.256.
- <sup>32</sup> Brown, Archie, *The rise and fall of communism*, p.256.
- <sup>33</sup> Gorlizki, Yoram and Khlevniuk, Oleg (2020) *Substate dictatorship: Networks, loyalty, and institutional change in the Soviet Union*, US: Yale University Press, p.197. <https://www.jstor.org/stable/j.ctv14rmq50.11>

- <sup>34</sup> Nove, Alec (1961) *The Soviet economy*, UK: George Allen and Unwin, p.295.
- <sup>35</sup> Von Hayek, Friedrich (1945) 'The use of knowledge in society', *The American Economic Review*, vol. 35, no. 4, pp.518–30.  
<https://www.jstor.org/stable/1809376>
- <sup>36</sup> Kornai, Janos (1959) *Overcentralization in economic administration: A critical analysis based on experience in Hungarian light industry*, UK: Oxford University Press; Dobb, Maurice (1970) *Socialist planning: Some problems*, UK: Lawrence and Wishart.
- <sup>37</sup> Berliner, Joseph (1988) 'Bureaucratic conservatism and creativity in the Soviet economy', in *Soviet industry from Stalin to Gorbachev: Essays on management and innovation*, UK: Edward Elgar, Chapter 8, pp.188–211; Nove, Alec, *An economic history of the USSR*, p.309.
- <sup>38</sup> Gorlizki, Yoram and Khlevniuk, Oleg, *Substate dictatorship*, p.217.
- <sup>39</sup> Gorlizki, Yoram and Khlevniuk, Oleg, *Substate dictatorship*, p.225.
- <sup>40</sup> Vasilyeva, E. (1954) 'The Nail Factory' [cartoon]. *Крокодил [Krokodil]*, No 5, p.5. <https://croco.uno/year/1954>
- <sup>41</sup> Charron, Nicholas; Lapuente, Victor; and Annoni, Paola (2019) 'Measuring quality of government in EU regions across space and time', *Papers in Regional Science*, vol. 98, no. 5, pp.1925–53.  
<https://doi.org/10.1111/pirs.12437>
- <sup>42</sup> Rothstein, Bo (2015) *The Quality of Government Institute: Report for the first ten years of a research programme at University of Gothenburg*.  
<https://www.gu.se/en/research/the-quality-of-government-institute>
- <sup>43</sup> Dijkstra, Lewis (ed.) (2017) *My region, My Europe, our future. The 7th cohesion report*, p.10. Belgium: European Commission, copyright European Union. Reuse authorised under European Decision 2011/833/EU (OJ L 330, 14.12.2011, pp.30, 39).  
[https://ec.europa.eu/regional\\_policy/information-sources/publications/reports/2017/7th-report-on-economic-social-and-territorial-cohesion\\_en](https://ec.europa.eu/regional_policy/information-sources/publications/reports/2017/7th-report-on-economic-social-and-territorial-cohesion_en)
- <sup>44</sup> Putnam, Robert; Leonardi, Robert; and Nanetti, Rafaella (1992) *Making democracy work: Civic traditions in modern Italy*, US: Princeton University Press, p.18. <https://doi.org/10.1515/9781400820740>
- <sup>45</sup> Putnam, Robert et al, *Making democracy work*, p.135.
- <sup>46</sup> Putnam, Robert et al, *Making democracy work*, p.145.
- <sup>47</sup> Putnam, Robert et al, *Making democracy work*, p.136.
- <sup>48</sup> Travaglino, Giovanni; Abrams, Dominic; and De Moura, Georgina (2016) 'Men of honor don't talk: The relationship between masculine honor and social activism against criminal organizations in Italy',

- Political Psychology*, vol. 37, no. 2, pp.183–99.  
<https://doi.org/10.1111/pops.12226>
- <sup>49</sup> Kazmin, Amy and Ricoszi, Giuliana (2023) ‘Messina Denaro’s arrest saps strength of the Sicilian Mafia’, *Financial Times*, 18 January.  
<https://perma.cc/32TL-573N>
- <sup>50</sup> Wikimedia Commons (User: Shadowxfox; User: Enok) (2012) ‘Map of Italy in 1494’. [https://commons.wikimedia.org/wiki/File:Italy\\_1494.svg](https://commons.wikimedia.org/wiki/File:Italy_1494.svg)
- <sup>51</sup> Johnson, Miles (2020) ‘How the Mafia infiltrated Italy’s hospitals and laundered the profits globally’, *Financial Times*, 9 July.  
<https://perma.cc/DHZ5-H9JC>
- <sup>52</sup> Johnson, Miles, ‘How the Mafia infiltrated Italy’s hospitals’.
- <sup>53</sup> Wikileaks (2008, 2 December) ‘Can Calabria be saved?’ *Public Library of US Diplomacy*. <https://perma.cc/FFK5-Q3F6>
- <sup>54</sup> BBC iPlayer (2023) *Italy’s Crusader: Man vs Mafia*, 13 January.  
<https://www.bbc.co.uk/iplayer/episode/p0dw2zm8/italys-crusader-man-vs-mafia>
- <sup>55</sup> *BBC News* (2021) ‘Italian Mafia: ‘Ndrangheta members convicted as Italy begins huge trial’, 7 November. <https://perma.cc/EW9D-PS2H>
- <sup>56</sup> Saviano, Roberto (2006) *Gomorra*, UK: Pan Macmillan.
- <sup>57</sup> Saviano, Roberto (2016) ‘Operation money laundering’, in his *Zero Zero Zero*, UK: Penguin, Chapter 11, pp.253–69.
- <sup>58</sup> Saviano, Roberto, *Zero Zero Zero*, p.262.
- <sup>59</sup> Wilson, Harry (2014) ‘London is “money laundering capital”’, *The Times*, 2 September. <https://perma.cc/M95U-F8FN>; Shaxson, Nicholas (2021) ‘The City of London is hiding the world’s stolen money’, *New York Times*, 11 October. <https://perma.cc/X2S7-UK6E>; Kuper, Simon (2022) ‘Who are the Londoners enabling the Russian elite?’ *Financial Times* 3 March. <https://perma.cc/X85Q-RTBM>; *Financial Times* (2022, 22 April) *How London became the dirty money capital of the world | FT Film* [Video]. [https://www.youtube.com/watch?v=gyk12Wf\\_TeQ](https://www.youtube.com/watch?v=gyk12Wf_TeQ).
- <sup>60</sup> Gray, John (2012) ‘A point of view: Are tyrants good for art?’ *BBC News*, 10 August. <https://perma.cc/J39N-FH92>
- <sup>61</sup> MacGregor, Neil (2014) *Germany: Memories of a nation*, UK: Penguin, p.335.
- <sup>62</sup> MacGregor, Neil, *Germany: Memories of a nation*, pp.347–48.
- <sup>63</sup> Herbez, Vukasin (2018) ‘100 years of automobiles: 20 most important cars of the 20th century’. *Motor Junkie*, 25 June.  
<https://perma.cc/T3M5-SNYW>

- <sup>64</sup> Rubin, Eli (2009) 'The Trabant: Consumption, Eigen-Sinn, and movement', *History Workshop Journal*, vol. 68, no. 1, p.30.
- <sup>65</sup> DeMuro, Doug (2016) *The Trabant was an awful car made by communists* [Video], 9 November. <https://www.youtube.com/watch?v=No1-4GsQa-g>;
- Miltimore, Jon (2019) 'The worst car ever: A brief history of the Trabant', *FEE Stories*, 6 November. <https://perma.cc/CM38-ETEh>
- <sup>66</sup> Rubin, Eli, 'The Trabant: Consumption, Eigen-Sinn, and movement', p.35.
- <sup>67</sup> MacGregor, Neil, *Germany: Memories of a nation*, p.348.
- <sup>68</sup> Viner, Brian (2012) 'The man who rejected the Beatles', *The Independent*, 12 February. <https://perma.cc/3S5T-UEXH>
- <sup>69</sup> Turner, Graham (1969) 'The car makers', in *Business in Britain*, UK: Eyre & Spottiswoode, pp.378–97.
- <sup>70</sup> Dixon, Huw (1996) 'Deindustrialisation and Britain's Industrial Performance Since 1960', *The Economic Journal*, vol. 106, no. 434, pp.170–71. <https://doi.org/10.2307/2234940>
- <sup>71</sup> Eichengreen, Barry (1996) 'Explaining Britain's economic performance: a critical note', *The Economic Journal*, vol. 106, no. 434, pp.213–18.
- <sup>72</sup> Eichengreen, Barry, 'Explaining Britain's economic performance', p.217.
- <sup>73</sup> Eichengreen, Barry, 'Explaining Britain's economic performance', p.217.
- <sup>74</sup> Rieger, Bernard (2013) *The people's car: A global history of the Volkswagen*, US: Harvard University Press. Quoted in *Germany: Memories of a nation*, p.351.
- <sup>75</sup> Hotten, Russell (2015) 'Volkswagen: The scandal explained'. *BBC News*, 10 December. <https://perma.cc/48D4-QH6X>
- <sup>76</sup> European Commission (2019) 'Regional GDP per capita ranged from 31 per cent to 626 per cent of the EU average in 2017', *Eurostat News Release* 34/2019, 26 February. <https://perma.cc/5TJZ-YJ54>
- <sup>77</sup> Maddison, Angus (2006) *The world economy*. France: Organisation for Economic Co-operation and Development (OECD), p.178. <http://dx.doi.org/10.1787/486663055853>
- <sup>78</sup> Office for National Statistics (2000) *Regional Trends, No. 35, 2000 Edition*. <https://webarchive.nationalarchives.gov.uk/ukgwa/20160129145432/http://www.ons.gov.uk/ons/rel/regional-trends/regional-trends/no--35--2000-edition/index.html>
- <sup>79</sup> 'Deutsche Einheit hat fast zwei Billionen Euro gekostet' (2014) *Franfurter Allgemeine*, 4 May. <https://perma.cc/X6RX-5FR2>; Kampfner, John (2020) *Why the Germans do it better: Notes from a grown-up country*, UK: Atlantic, p.87.

- <sup>80</sup> Kampfner, John, *Why the Germans do it better*, p.87.
- <sup>81</sup> Gerstle, Gary, *The rise and fall of the neoliberal order*, p.146.
- <sup>82</sup> Eurostat (2022) *GDP per capita in PPS*.  
<https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table?lang=en>
- <sup>83</sup> Office for National Statistics (2022) *Regional economic activity by gross domestic product, UK: 1998 to 2020*.  
<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2020>
- <sup>84</sup> Eurostat (2023) *Gross domestic product (GDP) at current market prices by NUTS 3*. [https://ec.europa.eu/eurostat/databrowser/view/NAMA\\_10R\\_3GDP/default/table?lang=en&category=reg.reg\\_eco10.reg\\_eco10\\_gdp](https://ec.europa.eu/eurostat/databrowser/view/NAMA_10R_3GDP/default/table?lang=en&category=reg.reg_eco10.reg_eco10_gdp); Office for National Statistics (2022) *Regional economic activity by gross domestic product, UK: 1998 to 2020*.  
<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/regionaleconomicactivitybygrossdomesticproductuk/1998to2020>
- <sup>85</sup> Raikes, Luke (2022) *Levelling up? Lessons from Germany*, UK: Fabian Society. <https://fabians.org.uk/publication/levelling-up/>
- <sup>86</sup> UPP Foundation (undated) *Truly civic: Strengthening the connection between universities and their places*, p.18. <https://perma.cc/8KB9-JVE8>
- <sup>87</sup> University of Oxford (n.d.) 'Finance and funding'. *University of Oxford*.  
<https://perma.cc/P4SF-GE9S>
- <sup>88</sup> Williams, Maire (2016) *Fast growth cities*, UK: Centre for Cities, p.4.  
<https://perma.cc/NQ83-KP47>
- <sup>89</sup> Top Tier (2019). *The UK's golden triangle*, UK: Top Tier, 5 September.  
<https://perma.cc/SK6R-DZE5>
- <sup>90</sup> Office for National Statistics (2023) *Nomis, labour market profile Oxford*.  
<https://perma.cc/2727-ZTGS>
- <sup>91</sup> Oxford City Council (2020) *Economic statistics: Quick facts*.  
<https://perma.cc/XSX6-N8HT>
- <sup>92</sup> Oldham Coliseum Theatre (2023) 'History'.  
<https://perma.cc/Y6CR-63XR>
- <sup>93</sup> Wells, Martin (2022) 'On track from Oldham Mumps to Delhi', *The Guardian*, 12 August. <https://perma.cc/ES46-MXGZ>
- <sup>94</sup> Price, Bevan and Wright, Paul (2017) 'Station name: Oldham Mumps'. *Disused Stations*. <https://perma.cc/6EDG-JLXD>
- <sup>95</sup> Payne, Sebastian (2023) 'Quickest way to level up is to stop the jobs', *The Times*, 26 January. <https://perma.cc/K3Y6-YUNJ>

- <sup>96</sup> Oldham Coliseum Theatre (2023) ‘Oldham Coliseum Theatre website.’ <https://perma.cc/KC4W-6HCH>
- <sup>97</sup> Editorial (2022) ‘The Guardian view on cuts in theatre funding: a threat to playwriting’, *The Guardian*, 9 December. <https://perma.cc/5YL9-Y47L>
- <sup>98</sup> University Campus Oldham (2023) ‘Study near – to go far... Prospectus 2023/24.’ <https://perma.cc/X6Z2-BDCS>
- <sup>99</sup> Independent Schools Council (n.d.) ‘Independent Schools Council website.’ <https://www.isc.co.uk>
- <sup>100</sup> Markovits, Daniel (2019) *The meritocracy trap*, UK: Penguin.
- <sup>101</sup> Cooper, Luke and Cooper, Christabel (2020) ‘“Get Brexit done”: The new political divides of England and Wales at the 2019 election’, *The Political Quarterly*, vol. 91, no. 4, pp.751–61. <https://doi.org/10.1111/1467-923X.12918>
- <sup>102</sup> Mattinson, Deborah (2020) *Beyond the red wall: Why Labour lost, how the Conservatives won and what will happen next?* UK: Biteback.
- <sup>103</sup> Secretary of State for Levelling Up, Housing and Communities (2022) *Levelling up the United Kingdom*, Figure 1.13, p.18. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1052708/Levelling\\_up\\_the\\_UK\\_white\\_paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf)
- <sup>104</sup> Office for National Statistics (2022) *Employee earnings in the UK: 2022*. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2022>
- <sup>105</sup> Office for National Statistics (2022) *Measures of national well-being dashboard: Quality of life in the UK*. <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/measuresofnationalwellbeingdashboardqualityoflifeintheuk/2022-08-12>; Brown, Tom (2022) ‘Colchester is the UNHAPPIEST place in Britain with Redditch, Norwich, Tunbridge Wells and Lambeth trailing behind, new ONS data reveals... so where does YOUR area rank in the UK’s misery league?’ *Daily Mail*, 4 December. <https://perma.cc/Q3TR-3CQW>
- <sup>106</sup> Secretary of State for Levelling Up, *Levelling up the United Kingdom*, p.73.
- <sup>107</sup> End Child Poverty (2023) ‘Child poverty in your area.’ <https://endchildpoverty.org.uk/child-poverty/>
- <sup>108</sup> Secretary of State for Levelling Up, *Levelling up the United Kingdom*, Figure 1.48, p.73. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1052708/Levelling\\_up\\_the\\_UK\\_white\\_paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052708/Levelling_up_the_UK_white_paper.pdf)

- <sup>109</sup> Care Quality Commission (2023) 'Royal Oldham Hospital'. <https://perma.cc/ZU7M-97NB>; Care Quality Commission (2023) 'John Radcliffe Hospital'. <https://perma.cc/472Z-FK39>
- <sup>110</sup> Andrews, John (2018) *School performance in academy chains and local authorities – 2017*, UK: Education Policy Institute, p.6. <https://epi.org.uk/publications-and-research/performance-academy-local-authorities-2017/>
- <sup>111</sup> Andrews, John, *School performance in academy chains and local authorities – 2017*, pp.60, 63.
- <sup>112</sup> <https://epi.org.uk/education-gap-data/>
- <sup>113</sup> Scott, Geraldine (2023) 'Levelling up is so 2019... Rishi Sunak's Tories are now gauging up', *The Times*, 18 January. <https://perma.cc/C8MQ-RWU6>
- <sup>114</sup> Complete University Guide (2023) 'University of Bolton'. <https://perma.cc/6EYE-DRAV>
- <sup>115</sup> Complete University Guide (2023) 'London School of Economics and Political Science'. <https://perma.cc/UNV7-TH6M>
- <sup>116</sup> Complete University Guide (2023) 'University league tables 2023'. <https://perma.cc/6L3H-L7DE>
- <sup>117</sup> Belfield, Chris; Britton, Jack; Buscha, Franz; Dearden, Lorraine; Dickson, Matt; van der Erve, Laura; Sibieta, Luke; Vignoles, Anna; Walker, Ian; and Zhu, Yu (2018) *The impact of undergraduate degrees on early-career earnings*, UK: Institute for Fiscal Studies. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/759278/The\\_impact\\_of\\_undergraduate\\_degrees\\_on\\_early-career\\_earnings.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759278/The_impact_of_undergraduate_degrees_on_early-career_earnings.pdf)
- <sup>118</sup> Ministry of Housing, Communities and Local Government (2019) *The English indices of deprivation 2019*, UK: Ministry of Housing, Communities and Local Government. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/835115/IOD2019\\_Statistical\\_Release.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835115/IOD2019_Statistical_Release.pdf)
- <sup>119</sup> The Community Cohesion Review Team (Chair Ted Cantle) (2001) *Community cohesion: A report of the Independent Review Team*, UK: Home Office, p.10. <https://tedcantle.co.uk/pdf/communitycohesion%20cantlereport.pdf>
- <sup>120</sup> World Population Review (2023) 'Germany'. <https://perma.cc/QUJ4-WCPA>; and Census 2021 (2022) 'Population Estimates'. *Office for National Statistics*. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates>

- <sup>121</sup> Kampfner, John, *Why the Germans do it better*, pp.5–6.
- <sup>122</sup> Romaniuk, Anna; Osborne, Catherine; Rainsford, Emily; and Taylor, Abigail (2020) *Understanding the policy-making processes behind local growth strategies in England*, UK: Industrial Strategy Council, pp.6–7. <https://industrialstrategycouncil.org/understanding-policy-making-processes-behind-local-growth-strategiesengland>
- <sup>123</sup> Industrial Strategy Council (2021) *Annual report*, UK: Industrial Strategy Council. <https://industrialstrategycouncil.org/sites/default/files/attachments/ISC%20Annual%20Report%202021.pdf>
- <sup>124</sup> Haldane, Andy (2021) ‘UK industrial strategy is dead, long may it live’, *Financial Times*, 23 March. <https://perma.cc/28PV-DWVR>
- <sup>125</sup> Secretary of State for Levelling Up, Housing and Communities, *Levelling Up the United Kingdom*.