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COHESION THROUGH HOUSING? RESIDUAL INCOME, HOUSING TENURE AND UK REGIONAL POLICY

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“My job....means uniting our country by physically and literally renewing the ties that bind us together so that with safer streets and better education and fantastic new road and rail infrastructure and full fibre broad band we level up across Britain with higher wages, and a higher living wage, and higher productivity we close the opportunity gap giving millions of young people the chance to own their own homes and giving business the confidence to invest across the UK”

(Boris Johnson, first speech as prime minister, 24 July 2019²)

“But what exactly are we trying to level up where? And how will we measure it? ...‘What gets measured gets managed’, they say. If we really want to level up, it’s crucial to be clear about what we are trying to achieve and how we are going to measure it”.

(Neil O’Brien, newly elected back bench Conservative MP, 27 January 2020 ³)

Regional policy is both political and technical, lay and expert. In the political domain, policy objectives are set or reinforced by popular tropes as with “left behind places” and “levelling up”. But policy is also a technical domain of expert judgements which relate to data, time series and forecasts using metrics like the output measures of Gross Value Added (GVA) and Gross Domestic Product (GDP). The two opening quotes nicely illustrate the resulting tensions between the political and the technical. In July 2019 in his first speech as newly elected prime minister Boris Johnson expansively stretched regional levelling up to include fixing every inequality and access issue that has been an object of political complaint over the past decade or more. In early 2020 one of his newly elected Northern back benchers riposted with the sharp and focused question: “what exactly are we trying to level up where? And how will we measure it?”

This working paper does not directly answer the back bencher’s question. Instead it challenges the whole levelling up problem definition by arguing the aim of place-based policy should not be to level up left behind places and regions to the standards of the successful by the standard expert metric of GVA output per capita. Our argument here is about measures of living standards where we will show how a shift to household residual income measures changes the whole problem definition.

¹ <https://foundationaleconomy.com/>

² <https://www.gov.uk/government/speeches/boris-johnsons-first-speech-as-prime-minister-24-july-2019>

³ Neil O’Brien MP <https://www.conservativehome.com/thecolumnists/2020/01/neil-obrien.html>

- When mainstream economic experts think about spatial inequalities, they typically default onto per capita output measures of gross domestic product and gross value added. But per capita output measures are no guide to income related variation in living standards. Most of us live in multi person households with income sharing and we will argue the most revealing income measure here is household residual income after deduction of taxes and the three essential costs of housing, transport and utilities.
- The change of lens from GVA per capita output to household residual income shifts the problem definition. Per capita GVA output (henceforth per capita output) measures encourage a binary division between successful and unsuccessful places, leading and laggard regions and highlighting the issue of low wage employment and the objective of increased competitiveness in laggard regions; household residual income measures reveal a rather different mosaic of income variation and wealth accumulation within and between regions and draw attention to the importance of managing housing costs and tenure in all regions with the objective of social cohesion.

The “levelling up” and “left behind places” tropes are pernicious because they abolish this internal diversity and credit unsuccessful regions like the north east (or categories of place like coastal towns and deprived neighbourhoods) with a unitary identity which experts can represent by per capita output. And, aided by indices of multiple deprivation, the tropes focus regional policy on the task of remedying the deficiencies of unsuccessful regions in the North and West of Britain with London and the South East figuring only as objects of emulation. This was quite explicit in the formative 2019 Centre for Policy Studies Report “A rising tide: levelling up left- behind Britain”. This introduced the new trope of levelling up as remedial regional policies (devolution, infrastructure, skills, opportunity zones) to address the deficiencies of the North and West which would allow London and the South East to continue without policy intervention

“That the UK can call upon economic power houses like these is a privilege. Little good would be achieved by impinging upon their ability to generate wealth and jobs and, as such, our proposals focus on levelling up, rather than flattening down”⁴

This is the economic policy equivalent of social othering; the London self is privileged, active and reconstructive while the regions of the North and West are subaltern, passive, recipients, the others.

The response so far has not been to question this levelling up problem definition but to debate whether the regional policies proposed by the London think tanks are adequate to the remedial job. Thus, an article in the Telegraph by Liam Halligan endorsed large scale expenditure on transport infrastructure in the regions under the headline: “the government’s ‘levelling up’ fervour makes all-round sense”⁵. Chris Giles in the FT doubts the effectiveness of such policies but not the framing of the problem around the deficiencies of the laggard. For Giles, levelling up is “the new catchphrase” of the Johnson government “which describes the ambition to raise the level of economic performance in all parts of the country” which means

⁴ <https://www.cps.org.uk/files/reports/original/191028170944-ARisingTide3.pdf>

⁵ Daily Telegraph, 19 January 2020

“improving the well-being of people living in poorer areas and narrowing the productivity gap between regions”⁶

Adding complexities piecemeal is an ineffective way of resisting powerful, simple metaphors like levelling up. So, we have in this working paper adopted a more systematic approach to the calculation of household income which illustrate the diversity of income related living standards that exists within and between regions. Existing income studies focus on gross household income and disposable income after tax; in this paper we calculate residual household income after expenditure on three essentials (housing, utilities and transport) which are foundational, in that access to them is essential for everyday life (Froud *et al.*, 2018⁷). We then consider empirically how residual income varies within each region for the mean income household which has an average income in each of four housing tenure groups (owned outright, mortgage paying, privately rented or socially rented). The analysis is rounded out with a consideration of wealth effects because houses are an appreciating asset for some households.

The analysis reveals a mosaic of variation in household (residual) income and wealth accumulation within and between regions which undermines the idea of binary distinctions between successful and unsuccessful places according to any one metric. Variation in house prices by region and by cost of housing according to tenure creates winners and losers in terms of living standards in all regions. Many ordinary places with low GVA per head can work well enough for households that can set low housing charges against modest wages, just as high GVA London can be purgatory for private renters paying one-third or more of disposable income as rent. The implication is that regional policy needs to engage leading as well as laggard regions and to consider how the cost, quality and availability of housing and other foundational services drive living standards directly; and, equally important, whether housing can be disconnected from the circuits of wealth accumulation.

In sum, the injunction to “level up” and rectify the deficiencies of lagging regions is unhelpful. Instead, our analysis implies that policy should focus on the ability of different kinds of households in all regions to sustain decent living standards, especially in relation to housing costs. The article develops these arguments as follows. The first section presents an argument about the limits of output measures and the regional studies use of GVA before turning to the extensive literature on household incomes and living standards which has not focused on the interaction of income, tenure and place. The following section explains our method for exploring these interactions; before a findings section presents empirical findings on residual income and wealth effects according to housing tenure within and between regions. A final section provides draws the argument together and provides a conclusion which suggests regional policy should be about cohesion in all regions not competitiveness in lagging regions.

⁶ FT 2 Jan <https://www.ft.com/content/8af414d2-2c86-11ea-bc77-65e4aa615551>

⁷ Froud, J., Johal, S., Moran, M., Salento, A. and Williams, K. (2018) *Foundational Economy. The Infrastructure of Everyday Life*, Manchester: Manchester University Press.

(1) The limits of output measures and the difficulty of relating income, place and housing tenure

Studies of UK regional differences generally work with output not income measures of inequalities because they uncritically accept Krugman's (1994⁸) claim that 'productivity isn't everything but in the long run it is almost everything. A country's ability to improve its standard of living standards depends almost entirely on its ability to raise its output per capita'. This claim is at best a half truth. In middle income countries, the standard of living depends at least as much on the collective capacity to organise foundational education, health and sanitation; that is why the United Nations (UN) Human Development Index (HDI) includes life expectancy and years of schooling (UNDP, 2010⁹). And, while productivity is important in explaining the difference in living standards between low and high-income countries, it is not at all clear that productivity has the same importance in explaining differences in living standards between regions in high income countries.

Yet output quantum and productivity level are equated with differences in regional living standards in much recent work. For example, Rodriguez Pose (2018¹⁰) on 'territorial imbalance related problems' constructs an argument about how place-based policy should be refocused to defeat populism which is read as the electoral revenge of 'places that don't matter' in declining areas. The underlying problem is a deficiency of growth and jobs: 'persistently low levels of regional growth are at the root of an increasing economic and political instability' (2018¹¹, p.193). It is assumed that productive deficiency is self-evidently the driver of discontent and empirical support is provided by Rodriguez Pose's statistical series on long run GDP and employment growth in EU regions and US metropolitan statistical areas (MSAs).

What is implicit in Rodriguez Pose becomes explicit in McCann's analysis of whether the UK is more unequal than other high-income countries. Thus 'the links between peoples' lived experience and political responses depend crucially on local productivity as the key driver of local prosperity' (McCann, 2019¹², p.2). For McCann, 'the standard approach' is to measure regional progress using per capita GDP and GVA measures. The relation between GDP and GVA measures is straightforward because GVA is GDP minus taxes plus subsidies, so that GVA does not, for example, include VAT¹³. But neither measure is unproblematic.

⁸ Krugman, P. (1994) *The Age of Diminishing Expectations*, Cambridge MA: MIT Press.

⁹ UNDP (2010) *The Real Wealth of Nations: Pathways to Human Development* Human Development Report 20th Anniversary Edition. New York: United Nations Development Programme.

¹⁰ Rodriguez Pose, A. (2018) *The revenge of places that don't matter (and what to do about it)*, Cambridge Journal of Regions, Economy and Society, 11: 189-209.

¹¹ *ibid.*

¹² McCann, P. (2019), *Perceptions of Regional Inequality and Geography of Discontent: Insights from the UK*, UK2070 Commission

¹³ The Value Added Tax, or VAT, in the European Union is a general, broadly based consumption tax assessed on the value added to goods and services. It applies more or less to all goods and services that are bought and sold for use or consumption in the European Union. Thus, goods which are sold for export or services which are sold to customers abroad are normally not subject to VAT. Conversely imports are taxed to keep the system fair for EU producers so that they can compete on equal terms on the European market with suppliers situated outside the Union. https://ec.europa.eu/taxation_customs/business/vat/what-is-vat_en

GVA in the UK is not one measure but a changing suite of methods of calculation, adjustments and reconciliations produced by the Office of National Statistics (ONS). Commuting adds complications, especially in London and the South East because individuals can live and work in different regions so that residence and workplace calculations give different results. Most recently in 2016 the ONS introduced GVA (B) which tries to balance income and production approaches to calculating the market value of output (ONS, 2017¹⁴). Necessary adjustments remain imprecise as when the ONS allocates corporate surplus booked in London corporate headquarters to regions on the basis of employment. And conceptual issues remain as with imputed rents (the benefit to home-owners of not having to pay rent) which are included in GVA and are more important in London but do not boost disposable income available as consumption or saving (ONS, 2019a¹⁵).

Against this back ground, the ONS does not believe that GDP or GVA output calculations can easily or precisely measure living standards and for that reason also produces regional figures for gross disposable household income (GDHI) (Prothero, 2018¹⁶). In productivity studies, the per capita or per worker hour metric is manifestly sensible and McCann (2017¹⁷) presents *per capita* disposable income as the relevant income metric for understanding regional inequality. But academic authorities like Stiglitz, Sen and Fitoussi (2009¹⁸, pp.39-40) concur with the ONS in preferring *household* income measures because most multi-households pool income and share costs to some extent. In 2018, 19.6m of the total 27.6m UK households have more than one person; and nearly 17m of these have more than one adult.¹⁹ Household size then becomes relevant (for example multi-family households or adult children living with parents) so that income per person in the household also needs to be taken into consideration.

On this basis, regular and substantial reports on income based living standards are produced by both the Institute for Fiscal Studies (IFS) and the Resolution Foundation, using disposable household income after taxes and benefits²⁰ as the starting point for analysis of income

¹⁴ ONS (2017) Regional gross value added (balanced), UK: 1998 to 2016. Available at: <https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/1998to2016>

¹⁵ ONS (2019a) Regional and Subregional Productivity in the UK. February 2019 Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/regionalandsubregionalproductivityintheuk/february2019>

¹⁶ Prothero, R. (2018) Mind the gap: why the UK might not be the most regionally unequal country, ONS. Available at: <https://blog.ons.gov.uk/2018/11/23/mind-the-gap-why-the-uk-might-not-be-the-most-regionally-unequal-country/>

¹⁷ McCann, P (2017). Urban futures, population ageing and demographic decline. Cambridge Journal of Regions, Economy and Society, 10(3) 543-557.

¹⁸ Stiglitz, J.E., Sen, A. and Fitoussi, J-P. (2009) Report by the Commission on the Measurement of Economic Performance and Social Progress, European Commission.

¹⁹ ONS Families and Households dataset 2018. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds>

²⁰ These calculations are based on the ONS income and wealth data series, available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonhouseholdincome/financialyearending2018>

before and after housing costs (see, for example, Bourquin *et al.*, 2019²¹). The IFS use equivalised household income after taxes (income tax, national insurance and council tax) and benefits; the equivalisation adjusts for differences in household size based on an OECD formula where children are entered as fractions of adults (Bourquin *et al.*, 2018, p.78). Income based studies have been complemented by studies of the wealth effects of property ownership (Crawford *et al.*, 2016²²). Some researchers have also approached living standards through household expenditure data because there is good consumption data available for those on low incomes (Brewer and O’Dea, 2012)²³. And, as part of its measuring economic wellbeing objective, the ONS now reports on ‘the amount of expenditure by households to meet their everyday needs, adjusted for the prices of goods *and* services’ (ONS, 2019b²⁴).

These income and expenditure studies bring out the importance of housing costs and housing wealth. In 2018, the ONS produced an experimental series on spending per person living in each of the UK regions. Spending per person of £24,454 in London was almost £10k higher than in Wales (£15,965); but most of that was accounted for by spending on housing, which was £7k per person higher in London than in Wales (ONS, 2018²⁵, section 6). A study of Scottish housing wealth produces several striking findings about how inequalities in housing wealth are greater than inequalities in income and have been widening: there are a larger number of citizens with no housing wealth (35%), compared with no pensions (23%) or savings (20%); while a significant number of households have more than one property (Bangham and Judge, 2019²⁶, p.20). Clearly, residual income, simply proxied as disposable (post tax and benefits) income minus housing costs is important.

The variation of housing costs and wealth by *tenure or region* has been examined in recent research; but variation by *tenure and region* remains unexplored As Hills *et al.* (2019²⁷, p.20) note, comparing income before and after housing costs can be revealing, especially as housing costs for renters and owner occupiers have moved very differently since the great financial crisis. On regions, Clarke (2019²⁸) presents geographical differences in household income per

²¹ Bourquin, P, Cribb, J., Waters, T. and Xu, X. (2019) Living Standards, Poverty and Inequality in the UK: 2019. London: Institute for Fiscal Studies.

²² Crawford, R., Innes, D. and O’Dea, C. (2016), Household Wealth in Great Britain: Distribution, Composition and Changes 2006–12. Fiscal Studies, 37: 35–54. doi:10.1111/j.1475-5890.2016.12083

²³ The Department for Work and Pensions produce income before and after housing costs for households below average income, available at: <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201718>

²⁴ ONS (2019b) Personal and Economic Wellbeing in the UK. February 2019. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/september2018>

²⁵ ONS (2018) Development of Regional Household Expenditure Figures. Available at: <https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/articles/developmentofregionalhouseholdexpendituremeasures/2018-09-26>

²⁶ Bangham, G. & Judge, L. (2019) Taking stock: Report for the Scottish Poverty and Inequality Commission, Resolution Foundation.

²⁷ Hills, J., McKnight, A., Bucelli, I., Karagiannaki, E, Vizard, P. and Yang, L. (2019) Understanding the Relationship Between Poverty and Inequality. Overview Report, CASE Report No. 119, Centre for Analysis of Social Exclusion/ Joseph Rowntree Foundation.

²⁸ Clarke, S. (2019) Mapping Gaps. Geographic Inequality in Productivity and Living Standards. London: Resolution Foundation.

person before and after housing costs and finds that the geographical variation in income after housing costs has more than halved since 1990. Likewise, Cribb *et al.* (2017²⁹, p.39) show that, after housing costs are taken into consideration, the income gap between the UK median and low housing costs regions (the North, Midlands and Wales) is reduced; while in high housing cost London the effect is to reduce income from more than 10% above the median to just under. Tantalisingly, Cribb *et al.* (2017³⁰) also note that most of the housing cost driven differences in income are within rather than between regions; but the implications of tenure-related housing costs within regions have not been explored.

(2) A method for analysing the relation between housing tenure and residual income within and between regions

Housing, living standards and place are now connected in public discussion through the general recognition that the ‘successful’ city region of London is a place of great inequalities of income and wealth and part of its problem is a crisis about the cost of housing which the current mayor presents as ‘the biggest threat to London’s future’ (Mayor of London, 2018³¹). Levelling up is then for the ‘unsuccessful’ North and West which are generally presented as productively-collapsed districts, with poor transport infrastructure and too many low skilled and poorly-educated workers (e.g. Goodwin and Heath, 2016³²). There is no discussion of whether and how relatively cheap housing in the North-east or Wales feeds into living standards and income inequalities for different tenure groups within and between regions. This is partly because any such analysis is difficult when it requires resourceful choice of measure, methods and sources and then some narrative skill in turning complex patterns into an intelligible story.

If we take income measures, what measures of household income should be considered and how should the different measures be related? Disposable household income is a readily available measure which is relevant to living standards because it gives a net income measure calculated after tax and social charges on gross income. The taxes which reduce gross to disposable income are not of course simply a deduction because there is a living standards payback in tax-funded collective services like health and education, as well as cash benefits. If taxes are compulsory, there are other inescapable deductions. Our analysis in this working paper focuses on three of these foundational essentials –direct housing cost in terms of rent or mortgage, utility bills and cost of (private and/or public) transport –which are on the market so that most users must pay all or most of the cost.

In this working paper we define household residual income as disposable income minus the cost of these three foundational essentials. Housing, utilities and transport are placed in a

²⁹ Cribb, J., Hood, A., Joyce, R. and Keiller, A.N. (2017) Living Standards, Poverty and Inequality in the UK: 2017. Resolution Foundation.

³⁰ *ibid.*

³¹ Mayor of London (2018) London Housing Strategy. London: Greater London Authority. Available at: https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

³² Goodwin, M.J. and Heath, O. (2016) The 2016 Referendum, Brexit and the Left Behind: An Aggregate-level Analysis of the Result of the 2016 Referendum, *Political Quarterly*, 87(3): 323-332.

category of their own because expenditure on these items is, in the short term, fixed and inescapable. Food and clothing are equally essential but there is some scope for adjusting expenditure week by week by economising or postponement; growth in use of food banks is one indicator of extreme economising on food (Human Rights Watch, 2019³³). In focusing on housing, utilities and transport, the aim is to make a pragmatic and preliminary calculation about how disposable income is reduced if we subtract some inescapable and semi-fixed major items, but without claiming that all ‘essentials’ have been taken into account.

Measures of residual income are important because they show what margin is left over for household discretionary spend. But our aim is not to replace one per capita output measure with one residual household income-based measure of living standards. The important thing is not so much any one individual measure but how the different measures of income (gross, disposable and residual) relate to each other because each step of subtraction shows the importance of different variables and identifies policy points of intervention. Furthermore, collective provision is as important as individual consumption and fieldwork by Calafati *et al.* (2019³⁴) has highlighted the importance of various kinds of social infrastructure such as green space or libraries for well-being (see also Marmot, 2010³⁵; Klinenberg, 2018³⁶). In the longer term we need broader measures of liveability which take this collective provision into account.

Meanwhile, it is easy to define household residual income as disposable income minus deductions for housing, utilities and transport, but it is more difficult to calculate it by place and tenure. Researchers have kept the variation of housing costs according to tenure and discussion of place-based differences in separate boxes because it is difficult to bring them together. Adjacent households living in identical houses can have very different housing costs: for example, the same street can include outright owners, those paying off mortgages and private renters. We need also to consider housing as a source of wealth, especially when and where house prices increase. And this applies not just to owner occupiers but to an increasing number of buy-to-let landlords where the private renter is funding somebody else’s wealth accumulation.

To provide an empirical basis for discussion of residual household income by tenure in the next section, we calculate the regional variation in the direct cost of housing (that is, rent or mortgage) plus utility payments and transport for the mean income household in four different housing tenure groups: outright owners, mortgage payers, private renters and social renters. This is set out in tables 1 to 4, which present data from two different ONS sources.

³³ Human Rights Watch (2019) Nothing Left in the Cupboards. Austerity, Welfare Cuts, and the Right to Food in the UK. Available at: https://www.hrw.org/sites/default/files/report_pdf/uk0519_web4.pdf

³⁴ Calafati, L., Ebrey, J., Froud, J., Haslam, C., Johal, S. and Williams, K. (2019) How an Ordinary Place Works. Understanding Morriston. Available at: <https://foundationaleconomycom.files.wordpress.com/2019/05/morriston-report-v6-13-may-2019.pdf>

³⁵ Marmot, M. (2010) Fair Society. Healthy Lives. Strategic Review of Health Inequalities in England Post-2010. Available at: <http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review/fair-society-healthy-lives-full-report-pdf.pdf>

³⁶ Klinenberg, E. (2018) Palaces for the People: How Social Infrastructure Can Help Fight Inequality, Polarization, and the Decline of Civic Life, Penguin Random House.

- First, housing expenditure in the form of mortgage and rent payments in UK countries and regions (table 2.5) for the mean income household in each of the four different tenure groups³⁷; the weekly totals are annualised by multiplying them by 52 weeks. Mortgage payments relate solely to primary residence and exclude spending on moving house, alterations and general maintenance. Rent refers to net rent which is calculated after deducting for all subventions.
- Second, household spending on transport and utilities including internet is composited from two separate but interconnected ONS tables in the Family Spending series³⁸. The data on regional total spend by category is summated by the ONS and then allocated into decile income groups. We obtain an estimated spend for each tenure group by selecting the total in the decile spend group in each category which is the closest to household mean income by tenure. This method is used as there are regional variations in expenditures and difference in spend depending on total household income. ONS presentation of income deciles is based on the UK as a whole and we calculate income by summating in each decile group all expenditure plus all 'other recorded items' such as savings, national insurance, life insurance and pensions.

The one observation of the housing tenure group at the mean is of course not a comprehensive description; but it does provide us with an initial observation which can start an empirically informed debate about the relation between income, tenure, place and living standards in leading and laggard regions. Differentiation according to housing tenure group is also practically attractive because it distinguishes between four large groups of households in every region. The relative importance of different tenure groups varies according to region and there have also been changes over time. For example, the sale of social housing and limited extent of any rebuilding means that the percentage renting privately has more or less doubled in the twenty years since the mid-1990s. Across the different UK regions, mortgage holders currently account for 28-36% of households and outright owners for 31-41% while private renters account for 11-25% of households and social renters for 11-24%. There are also some significant variations in average size of household; those owning outright consistently have smaller households of around 2 persons as against household size of around 2.5 persons in other tenure groups³⁹.

³⁷ Some of the data used is available from the web link noted here:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/housingexpenditurebycountriesandregionsuktable25>. However, it was necessary to commission a special run from this underlying data in order to obtain housing expenditure data by region and by housing tenure. This data is available from the authors. It will also be posted on a public website prior to the publication of this paper for interested readers.

³⁸ This data set – tables 31 and 35 - is available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebydisposableincomededecilegroupuktable31> and <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebycountriesandregionsuktablea35>

³⁹ Household size by housing tenure data can be found at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/housingexpenditurebycountriesandregionsuktable25>

(3) How variable housing costs create winners and losers within and between every region

This section sets out the findings, drawing on tables⁴⁰ 1 to 4 which presents the residual income calculations by housing tenure and region. The tenure groups start from different gross income points on the household income scale whether we consider the mean gross income of households by tenure or by region. In all regions mortgage paying and social tenant households are the high and low outliers: low income households struggle to obtain mortgages and the shortage of social renting means that it has become the preserve of low-income groups. Mortgage holding households have gross incomes between a low of £46,000 in Wales and £76,000 in London, while the gross income of social renters varies from a low of £16,000 in Wales to a high of £27,000 in the southeast, with London households having a gross income of just £22,000.

If we consider the three essential items (housing, utilities, transport), the large and variable item of expenditure is cost of housing. Even if we exclude outright owners, across the different tenure groups in all the regions direct housing cost claims between 11 and 34% of disposable income. The share of income spent on transport (public and private) is smaller and relatively stable across all tenures and regardless of region at 11-16% of disposable income; except in London where it is lower because 40% of London households lack a car (RAC Foundation, 2012⁴¹) and Londoners are not charged the full economic cost of their hugely complicated infrastructure (Equality Trust, 2015⁴², p.16). Utility bills generally account for 3-6.5% of income in all tenure groups except for social renters whose low incomes are such that fuel poverty is an issue. For example, in the South West and Wales utilities account for 8.8% and 9.6% of disposable income respectively. Overall, housing is the major driver of variability in the ratio between residual and disposable income for households within and between regions.

⁴⁰ Notes and sources for tables 1 to 4.

The sources for these tables are:

1. Table 2.5, Housing expenditure by UK Countries and regions, mortgage holders, financial year ending 2017', ONS –this includes spreadsheets for mortgage free, private renters and social renters. The data used in the table comes from a special run; a subset of this data is available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/housingexpenditurebycountriesandregionsuktable25>

2. The Family Spending series includes table 3.5 on 'Housing expenditure by countries and regions' which we use to identify regional spending in each category and table 3.1 Detailed household expenditure by disposable income decile group' which we use to allocate regional spend into income decile groups. These tables can be downloaded from:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebydisposableincomemedecilegroupuktable31> and

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebycountriesandregionsuktablea35>

⁴¹ RAC Foundation (2012) Car ownership rates per local authority in England and Wales. Available at:

https://www.racfoundation.org/assets/rac_foundation/content/downloadables/car%20ownership%20rates%20by%20local%20authority%20-%20december%202012.pdf

⁴² Equality Trust (2015) Taken for a ride. How UK public transport subsidies entrench inequality. Available at:

<https://www.equalitytrust.org.uk/sites/default/files/resource/attachments/Taken%20for%20a%20Ride.pdf>

Table 1: Annual household income of mortgage holders and their spend on transport and utilities, 2017

	Annual gross income		Annual disposable income		Annual mortgage payments		Annual spend on transport		Annual spend on electricity, gas, water and internet		Residual income	
	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income
	£	%	£	%	£	%	£	%	£	%	£	%
North East	63,092	100.0%	51,355	81.4%	6,895	10.9%	6,483	10.3%	1,711	2.7%	36,266	57.5%
North West	59,717	100.0%	48,152	80.6%	7,519	12.6%	6,055	10.1%	1,677	2.8%	32,900	55.1%
Yorks & Humber	57,366	100.0%	45,755	79.8%	6,869	12.0%	5,839	10.2%	1,689	2.9%	31,358	54.7%
East Midlands	60,460	100.0%	48,334	79.9%	6,765	11.2%	6,878	11.4%	2,054	3.4%	32,636	54.0%
West Midlands	60,783	100.0%	49,769	81.9%	6,817	11.2%	5,648	9.3%	1,807	3.0%	35,497	58.4%
East	56,352	100.0%	45,334	80.4%	7,998	14.2%	6,261	11.1%	2,094	3.7%	28,981	51.4%
London	75,806	100.0%	57,564	75.9%	11,591	15.3%	6,229	8.2%	1,395	1.8%	38,350	50.6%
South East	75,535	100.0%	59,946	79.4%	9,542	12.6%	8,290	11.0%	2,319	3.1%	39,794	52.7%
South West	60,356	100.0%	49,369	81.8%	7,982	13.2%	6,610	11.0%	2,048	3.4%	32,729	54.2%
England	64,418	100.0%	51,355	79.7%	8,304	12.9%	6,631	10.3%	1,877	2.9%	34,543	53.6%
Scotland	64,761	100.0%	53,732	83.0%	6,609	10.2%	6,211	9.6%	1,642	2.5%	39,269	60.6%
Wales	45,869	100.0%	38,750	84.5%	6,594	14.4%	4,721	10.3%	1,850	4.0%	25,586	55.8%

Table 2: Household income of outright owners and their spend on transport and utilities, 2017

	Annual gross income		Annual disposable income		Annual mortgage payments		Annual spend on transport		Annual spend on electricity, gas, water and internet		Residual income	
	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income
	£	%	£	%	£	%	£	%	£	%	£	%
North East	33,316	100.0%	30,311	91.0%	0	0.0%	3,714	11.1%	1,331	4.0%	25,266	75.8%
North West	34,180	100.0%	30,155	88.2%	0	0.0%	3,818	11.2%	1,506	4.4%	24,830	72.6%
Yorks & Humber	34,507	100.0%	30,025	87.0%	0	0.0%	4,286	12.4%	1,522	4.4%	24,216	70.2%
East Midlands	35,786	100.0%	30,144	84.2%	0	0.0%	4,337	12.1%	1,845	5.2%	23,963	67.0%
West Midlands	39,088	100.0%	33,665	86.1%	0	0.0%	4,146	10.6%	1,629	4.2%	27,890	71.4%
East	37,310	100.0%	31,221	83.7%	0	0.0%	4,774	12.8%	1,992	5.3%	24,454	65.5%
London	51,038	100.0%	43,061	84.4%	0	0.0%	4,572	9.0%	1,257	2.5%	37,232	72.9%
South East	42,032	100.0%	35,428	84.3%	0	0.0%	6,086	14.5%	2,090	5.0%	27,252	64.8%
South West	37,887	100.0%	33,379	88.1%	0	0.0%	4,168	11.0%	1,839	4.9%	27,372	72.2%
England	39,078	100.0%	33,540	85.8%	0	0.0%	4,181	10.7%	1,686	4.3%	27,673	70.8%
Scotland	39,785	100.0%	34,601	87.0%	0	0.0%	4,559	11.5%	1,480	3.7%	28,561	71.8%
Wales	32,214	100.0%	28,704	89.1%	0	0.0%	4,191	13.0%	1,766	5.5%	22,747	70.6%

Table 3: Household income of private renters and their spend on transport and utilities, 2017

	Annual gross income		Annual disposable income		Net rent		Annual spend on transport		Annual spend on electricity, gas, water and internet		Residual income	
	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income
	£	%	£	%	£	%	£	%	£	%	£	%
North East	34,128	100.0%	29,224	85.6%	4,285	12.6%	3,714	10.9%	1,331	3.9%	19,894	58.3%
North West	30,113	100.0%	26,837	89.1%	4,878	16.2%	3,818	12.7%	1,506	5.0%	16,635	55.2%
Yorks & Humber	26,198	100.0%	23,010	87.8%	4,820	18.4%	2,495	9.5%	1,444	5.5%	14,251	54.4%
East Midlands	38,636	100.0%	33,108	85.7%	6,672	17.3%	5,049	13.1%	1,851	4.8%	19,536	50.6%
West Midlands	36,572	100.0%	31,086	85.0%	6,386	17.5%	4,146	11.3%	1,629	4.5%	18,925	51.7%
East	36,686	100.0%	31,034	84.6%	7,415	20.2%	4,774	13.0%	1,992	5.4%	16,852	45.9%
London	51,574	100.0%	41,709	80.9%	14,274	27.7%	4,572	8.9%	1,257	2.4%	21,606	41.9%
South East	46,103	100.0%	37,877	82.2%	9,313	20.2%	5,227	11.3%	2,082	4.5%	21,254	46.1%
South West	29,900	100.0%	26,114	87.3%	6,604	22.1%	2,825	9.4%	1,750	5.9%	14,935	50.0%
England	39,021	100.0%	32,791	84.0%	8,356	21.4%	4,181	10.7%	1,686	4.3%	18,568	47.6%
Scotland	31,184	100.0%	26,853	86.1%	5,158	16.5%	3,916	12.6%	1,475	4.7%	16,303	52.3%
Wales	34,679	100.0%	30,462	87.8%	5,814	16.8%	4,191	12.1%	1,766	5.1%	18,691	53.9%

Table 4: Household income of social renters and their spend on transport and utilities, 2017

	Annual gross income		Annual disposable income		Net rent		Annual spend on transport		Annual spend on electricity, gas, water and internet		Residual income	
	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income	Total	Share of gross income
	£	%	£	%	£	%	£	%	£	%	£	%
North East	17,046	100.0%	16,297	95.6%	1,877	11.0%	1,492	8.8%	1,161	6.8%	11,767	69.0%
North West	21,871	100.0%	20,348	93.0%	2,647	12.1%	2,552	11.7%	1,434	6.6%	13,716	62.7%
Yorks & Humber	20,592	100.0%	19,094	92.7%	2,730	13.3%	2,460	11.9%	1,444	7.0%	12,461	60.5%
East Midlands	21,060	100.0%	19,594	93.0%	2,298	10.9%	2,029	9.6%	1,614	7.7%	13,652	64.8%
West Midlands	18,309	100.0%	17,321	94.6%	2,158	11.8%	1,666	9.1%	1,420	7.8%	12,078	66.0%
East	20,821	100.0%	19,188	92.2%	2,574	12.4%	2,233	10.7%	1,743	8.4%	12,637	60.7%
London	21,736	100.0%	20,103	92.5%	3,687	17.0%	1,373	6.3%	1,036	4.8%	14,008	64.4%
South East	27,362	100.0%	24,617	90.0%	3,271	12.0%	2,445	8.9%	1,822	6.7%	17,079	62.4%
South West	18,294	100.0%	17,373	95.0%	2,122	11.6%	1,950	10.7%	1,609	8.8%	11,693	63.9%
England	21,133	100.0%	19,604	92.8%	2,714	12.8%	1,956	9.3%	1,475	7.0%	13,459	63.7%
Scotland	18,507	100.0%	17,446	94.3%	1,867	10.1%	1,832	9.9%	1,290	7.0%	12,457	67.3%
Wales	15,964	100.0%	15,538	97.3%	1,752	11.0%	1,684	10.5%	1,540	9.6%	10,561	66.2%

How do variable housing costs complicate and change household income gaps for different tenure groups between and within regions? It is recognised in the literature that the gap between high and low UK regions is narrower when using (resident) income measures, compared with using (workplace) output/ GVA measures (Corlett *et al.*, 2019⁴³, p.13). If we consider regional household income by tenure group, the story is more complicated because tenure creates winner and loser groups in terms of residual income, and has an important connection to wealth accumulation.

Two findings can be highlighted here.

- First, the gap in household income between regions is smaller using the residual measure, for the two tenure groups of renters and mortgage payers which account for around half the households in the UK. Here, private rents and mortgages eat into disposable income.
- Second, after taking into account household size, the rank order from low to high is turned upside down for the two tenure groups of outright owners and private renters which each account for up to one quarter of households in the regions. Here low gross and disposable household income can become high per person residual income for the outright owners and *vice versa* for private renters.

The implications for living standards of the data in tables 1 to 4 can be analysed in terms of first, differences between regions and, second, differences within regions. In terms of between region differences, it is obvious that high income areas have high housing costs. In general, housing costs act to reduce but not eliminate initial regional differences in household gross or disposable income for the two tenure groups -mortgage payers and private renters –who are directly exposed to house prices in the current or recent housing market. This tendency towards equalisation at the residual level is important because in every region more than 40% of households are in these two groups, and in London 60% of households are in this category because of the large number of private renters. Taking a comparison of regions with high and low household income, in London the mean mortgage paying household has a gross income which is £30,000 higher than its Welsh counterpart, a disposable income £19,000 higher and residual income £12,000 higher (table 1).

If we include outright owners and adjust for household size, the inter-regional results are even more striking. After considering number of persons in the household, higher initial household gross and disposable incomes in one tenure group like private renters in London and the southeast, can actually translate into lower per person residual incomes than for outright owners in the North and West. The mean London private renting household starts with a gross income nearly twice as high as the Welsh outright owner (£52,000 vs £32,000) but the London private renter ends up with a per person residual income and discretionary spend which is just over half that of the Welsh outright owner (£7,900 vs £13,200) (tables 2 and 3). This outcome is important because outright owners in Wales and private renters in London each account for 25% of households in their regions.

⁴³ Corlett, A., Clarke, S., McCurdy, C., Rahman, F. and Whittaker, M. (2019) The Living Standards Audit 2019. London: Resolution Foundation.

Outright owners in low income Wales have no direct housing cost so an average gross income of £32,000 turns into £29,000 disposable and £25,000 residual income. In contrast, private renting households pay an average of 34% of disposable income as rent in London: for this household, a gross of £52,000 turns into £42,000 disposable and £24,000 residual income. Thus, housing costs more or less equalise initially unequal household income in these two groups. There are significant differences in household size which could be adjusted either by using OECD equivalisation formula where children count as fractions of an adult or simply by dividing number of persons into household income. Welsh owned outright households average 1.9 persons and London private rented households average 2.9 persons⁴⁴. Using these averages, residual income per head is £13,200 per head in the Welsh owned outright household against £7,900 in the London private rented household.

Shifting to difference within regions, there are complex effects which can be analysed by looking at the effects of different tenures. In short, outright ownership and social renting are respectively the boosters and stabilisers of residual income, while private renting is an accelerator of income and wealth inequalities which benefits some owners.

Outright ownership is a great booster of residual household income for a quarter to a third of households within each region. For these households, their ratio of residual income retained is raised by the absence of a mortgage payment which accounts for 11% or more of disposable income for the mean mortgage-paying household in all other regions. Thus, outright owners in all regions currently start well behind mortgage holders in terms of gross or disposable income and then more or less close the gap in residual income. In high income London, mean household outright owners have £25,000 less gross income, £14,000 less disposable income and just £1,000 less residual income than London mortgage holders (tables 1 and 2). In low income Wales, mean household outright owners have £14,000 less gross income, £10,000 less disposable income and £4,000 less residual income. This levelling up effect is reinforced at individual level because outright owner households are older with consistently fewer members; and a substantial minority of the current older generation have incomes boosted by occupational pensions (which many in the next generation will not enjoy).

Social renting (from local authorities and housing associations) is a stabiliser within all regions. Labour market deregulation has proliferated casual, low wage employment right across the UK and social housing is a scarce resource that can help to compensate (some of) those disadvantaged by precarity. Social renting households in different regions all have low incomes by absolute and relative standards. The top to bottom range of variation by region for the mean social renting household is from £27,000 gross and £25,000 disposable in the South East down to £17,000 gross and £16,000 disposable in the North East, while London household gross income is no more than £22,000 (table 4). However, with regulated rents and housing benefit for some, net rents are in a narrow range of 11-14% of disposable income outside London and no more than 18% in London.

⁴⁴ Household size by housing tenure data can be found at:
<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/housingexpenditurebycountriesandregionsuktable25>

By way of contrast, private renting is an accelerator of income and wealth inequality within regions because the rent is a gouging loss for private renters, especially in high income areas where increasing house prices drive higher market rents for tenants and contribute to wealth accumulation by landlords. In all regions, the rent deduction from disposable income is in the range 15-34% for the mean private renting household (table 3). At 15% in the North East and above 18% in all other regions, the percentage deductions from disposable income for mean private renting households start at the upper end of the level of deductions for housing paid by other tenure groups. For mortgage payers, for example, the average deduction is in a range of 12-20% of disposable income (table 1). The deduction from disposable income for private renters runs to 34% in London and is around 25% in the East, South East and South West of England (table 3). This issue is acute in the whole of the South of England and especially in London where house prices have always been higher; they also rose continuously from 2008 to 2018, while they flatlined in other regions.

Private renters pay a higher share of gross or disposable income and get no social protection in return. Private rents are geared to local house prices but renters gain no asset in the later stages of working life because they are paying off somebody else's mortgage and benefiting a landlord (inside or outside the region). The effects of house prices on wealth accumulation are relevant to a growing number of households: in 2014-16, an estimated 10% of British adults (4.3 million) now own property in addition to their usual residence: the largest number is buy-to-let (1.9m), second home in the UK (1.4m) and second home overseas (1m) (Bangham, 2019⁴⁵). There is also a more important linkage to wealth accumulation through the much larger number of owner occupiers (outright and mortgage paying) who account for more than 40% of households in all regions. The wealth effects vary both between regions, according to differential regional house price movements, and within regions, because lower income groups in all regions own very little property.

In the decade after 2008, nominal house prices increased steadily in London and surrounding areas but more or less flat lined in most of northern and western Britain. In this period, the wealth accumulation effect worked for owners of London property (as occupiers or landlords) but against owners of property in the regions of the North and West and against non-property owners in all regions. By 2018, the market was turning with house prices falling in London and only slowly increasing in other housing markets. But the decade of differential regional trends in house prices has had dramatic effects on wealth accumulation; these effects are important in themselves, and because similar effects will most likely be produced as and when the housing market recovers cyclically).

From 2008-17 the median house price in London dramatically increased from £265,000 to £460,000, whereas in the North and West of Britain median house prices were initially much lower and rose very gently (in nominal terms) from £122 to £135k in the North East and £138 to £150k in Wales (table 5). High and rising property prices in London and the South East generated an unearned and untaxed capital gain of £20,000 a year for the average London property owner. As table 5 shows, this capital gain for the average property owner in London

⁴⁵ Bangham, G. (2019) Game of Homes: The rise of multiple property ownership in Great Britain, Resolution Foundation.

is more or less equal to median individual gross earnings in North and West Britain at the beginning of the decade. By way of contrast, most owners of property outside London and the South East made no capital gains (nor did Londoners in lower income groups who cannot take out a mortgage).

Table 5: Median earnings per individual and median house prices⁴⁶

	England & Wales		North East		London		Wales	
	Median gross earnings £	Median house price £	Median gross earnings £	Median house price £	Median gross earnings £	Median house price £	Median gross earnings £	Median house price £
2002	20,596	104,000	18,075	59,500	25,235	174,000	18,411	67,500
2008	25,397	175,000	21,872	121,500	31,097	265,000	22,324	138,000
2017	28,952	225,000	26,061	135,000	34,752	460,000	26,327	150,000

The substantial beneficiaries include ordinary middle-income households who gain £286,000 on average in London from 2002-2017, compared with £75,500 in the North East or £82,500 in Wales. Of course, low income households in the first income quintile make no or negligible gains in all regions; while rising property prices in some regions are a burden for private renters because these are factored into rents and make it all the more difficult for renters to ever be able to take out a mortgage to buy their own property. Mobility between tenure groups is blocked in London but possible in the North and West. In 2018, first time buyers in London had a declared income of £81,000 which meant that most individuals had to couple up to buy a house or flat; the averagely priced first time buyer's property in London cost £435,000 in 2018⁴⁷ and with average individual gross earnings of £35,000 in London, couples can only become first time buyers if both partners are in the top half of the income distribution with a substantial deposit. By way of contrast, in Wales an averagely priced first-time buyer property costs £143,000 and the first-time buyer's gross income is £37,000 against median individual gross earnings of £26,000 so that a couple who were both earning modest wages could afford to buy (Calafati *et al.*, 2019⁴⁸).

(4) Implications: refocus regional policy on cohesion through housing not competitiveness through jobs

The analysis in this working paper challenges the stereotype of productively left behind regions with a unitary identity which can be epitomised by one GVA per capita output figure.

⁴⁶ Source: Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2017, ONS.

⁴⁷ ONS Live tables on housing market and house prices.

⁴⁸ Calafati, L., Ebrey, J., Froud, J., Haslam, C., Johal, S. and Williams, K. (2019) How an Ordinary Place Works. Understanding Morriston. Available at: <https://foundationaleconomycom.files.wordpress.com/2019/05/morriston-report-v6-13-may-2019.pdf>

This kind of meaningless average focuses regional policy on laggard regions with the aim of rebuilding the income generating (productive) economy in such regions by narrow policies of upgrading infrastructure and skills so as to create (high wage) jobs. The aim is economic growth of output to close the GVA gap against leading regions which figure in regional policy only as objects of emulation in a contest of competitiveness.

There is no clear evidence that such deficit redressing policies can rebuild the productive base and raise the rate of growth in regions like the North East: existing policies have not closed the gap between high and low GVA per capita places opened by the post-1979 collapse of high wage regional economies based on resource extraction and domestic manufacture in North and West Britain. The long-term historical experience of district recovery from high wage collapse is discouraging: the North Wales slate valleys have been in decline since the late 1890s and we have no reason to suppose the Durham coalfields have better prospects over the next 50 years.

More fundamentally, if policy makers hit the target of raising per capita GVA, they would surely miss the point about income-related household living standards - or ecological damage and most of the other things that matter socially – at the same time as they end up predictably surprised by growing wealth inequalities driven by property ownership. And if they hit their target of creating high wage jobs in low GVA districts, the result could well be the Salford Quays effect⁴⁹ with the new jobs taken by young in migrants living and working in islands of prosperity with no discernible employment or living standard benefits for locals in surrounding districts

It would be more sensible to refocus regional policy so that it recognises the drivers of diversity in all regions and thereby reframe regional policy intervention as equally necessary within and between leading and lagging regions. The residual income lens is important here because it exposes a mosaic of income and wealth advantaged and disadvantaged tenure groups within regions which are all liveable for some tenure groups of households and unliveable for others. (As it has always done) variation by tenure and regional property market complicates any generalisation about living standards within or between regions; the extra complication by the 2010s is financialization which creates important and regionally variable linkages to housing wealth for property owners and renters (Ryan-Collins *et al.*, 2017⁵⁰).

Certainly, low GVA per capita regions can work to produce comfortable living for some moderate-income tenure groups like outright owners in the North and West; while high GVA per capita regions can be thoroughly uncomfortable for other tenure groups like private renters with high incomes in London. And what works for one group like owner occupiers in London (through rising house prices) can work by excluding other groups like private renters who are funding their landlord's wealth accumulation. Social renting is the only form of tenure that is without ambiguity a social good because all regions have problems about low and precarious wages caused by labour market deregulation.

⁴⁹ Baing and Wong article on Brown Field Regeneration

⁵⁰ Ryan-Collins, J., Lloyd, T. and Macfarlane, L. (2017) Rethinking the Economics of Land and Housing, London: Zed Books.

Thus, regional policy should be much less about rectifying productive deficiencies in laggard regions; and much more about recognising income and wealth related problems of cohesion within and between leading and lagging regions. A region like London needs both an expansion of social housing for lower income groups and the taxing of property wealth and unearned incomes in upper income groups. This double intervention in London is just as important and certainly in technical terms more doable than creating jobs with high earned incomes in less prosperous regions. The problems about taxing unearned income from property and/ or levying taxes on site value would be about political resistance to new forms of taxation.

In all regions it is important to tackle living standards from the housing tenure side with a range of policies which manage the cost, quality, security and availability of housing and at the same time moderate the wealth accumulation effects. And this requires a rethinking of central policy and an understanding of linkages. The Bank of England should take halting the credit fed inflation of house prices as a target because such inflation accelerates wealth inequalities and traps households in private renting. The large-scale construction of social housing is good in itself because it offers security of tenure and socially regulated rents; and indirectly is the precondition for downscaling government spend on housing benefit which benefits private landlords and thus wealth accumulation for some and extraction from many.

Any broader overview of liveability would need to look beyond income related living standards and consider the availability and quality of essential services like health and education which are defined as collective consumption in our society. Housing policies should be part of a broader socio-economic approach to improving household access to foundational essentials which are important for all households more or less regardless of income. And this broad foundational approach needs to be grounded in a new kind of local study, as in the Morrision report, which analyses what households do and how places work.

In sum, we need to turn away from the quixotic, old regional policy whose object was improved competitiveness for laggard regions. And instead develop a creative new regional policy for the 2020s whose object is social cohesion amidst diversity for all regions. The tropes about left behind and levelling up should be recognised as part of the old order and would be best replaced with a new set of metaphors around the idea of social settlement.

Other research by the Foundational Economy:

Book

Foundational Economy, Manchester University Press in September 2018,

Economia Fondamentale, Einaudi in April 2019

Die Ökonomie des Alltagslebens, Suhrkamp in June 2019

Working Papers

Foundational liveability: rethinking territorial inequalities, (WP5 October 2018)

<https://foundationaleconomycom.files.wordpress.com/2018/12/foundational-livability-wp-no-5-fe-collective.pdf>

Future Value as the basis for multiple investments, (WP4 August 2017)

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<https://foundationaleconomycom.files.wordpress.com/2017/01/wheredoesthemoneygo.pdf>