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Building back before: fiscal and monetary support for the economy in Britain amid the COVID-19 crisis

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This paper explores the local impact of various forms of fiscal and monetary support for UK-based companies in the context of disruption caused by COVID-19 and associated public health restrictions, including support for household incomes (and therefore private consumption) via the 'furlough' scheme, the Covid Corporate Financing Facility and various national and local business support schemes. It shows that the economic crisis associated with the pandemic has been construed to justify interventions that preserve the spatially uneven status quo of the UK's model of economic development, protecting business from harms arising, apparently, from the public's reaction to the pandemic. To some extent, COVID-19 has been treated as a localised phenomenon that the national economy requires protection from.

Keywords: COVID-19, fiscal policy, monetary policy, economic crisis, the state, spatial unevenness
JEL Classifications: E62, E52, O18, O25

Introduction

The impact of the COVID-19 pandemic from early 2020 onwards led to an enormous expansion of the state's role in the economy, in the UK and many other countries. This paper considers what state power was used for in this regard, particularly in terms of supporting regional development, in light of the Conservative government's promise to both 'build back better' and 'level up'. For some commentators, the presence of *the* state represented the resurrection of stat*ism*. Robert Peston (ITV's political editor, and one of the UK's most well-known economic policy commentators) argued in October 2020 that 'COVID-19 has turned Boris Johnson into more Castro than Castro … [N]ever again can mainstream politicians say what was seen as truism for the post-Thatcher era, that it is *not* the role of the state to take on the financial risk of keeping workers in their jobs during an economic or technological shock' (Peston, 2020). Similar arguments—some more approving than others—about the Conservative government's willingness to embrace state intervention were voiced on the right (see Tice, 2021) and left (see Meadway, 2021) of the political spectrum. *The Atlantic* reported in 2021 that 'Johnson had ordered civil servants to reject conservative orthodoxies about government intervention being bad and to be "more creative and more confident around who we choose to back"' (McTague, 2021).

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It is possible therefore to see the Johnson government's response to COVID-19 in line with the political economy literature on the willingness of the UK policy elite to validate state interventionism since the 2008 financial crisis, even under Conservative(-led) governments (see Berry, 2016b; Lavery, 2018). Yet this literature is clear, firstly, that institutional change in this regard has been limited: interventionist economic policies have not been embedded deeply in the machinery of the state. And secondly, that state intervention in the economy is in fact compatible with neoliberal ideology, contra a simplistic and ahistorical popular understanding of neoliberalism as favouring 'the market' over the state (Berry, 2020). There is an important literature across political economy and geography which considers these issues in relation to the specific process of devolution to local and regional authorities (in England) since the financial crisis (Beel et al., 2021).

However, the suggestion that the presence of the state represents the validation of statism is arguably premature. There is a need to understand what the state is actually doing, and why—and how this impacts differently in different places. We must consider the possibility that state power and resources were used in a circumscribed manner, and indeed in a way that reinforced rather than transformed the UK's spatially uneven accumulation regime. The apparent resurgence of statism requires critical interrogation. As such, this paper explores the local and regional impact of various forms of fiscal and monetary support for UK-based companies in the context of disruption caused by COVID-19 and associated public health restrictions. The interventions in question were in operation throughout 2020, and in some cases into 2021 (that is, the period in which the UK economy was 'in crisis'). It places these interventions in historical context: both the moves towards large city-based economic development and industrial strategy in the wake of the 2008 financial crisis, and the Johnson government's early efforts to circumvent associated institutions since 2019.

We focus on four main areas of expenditure that permeate through a variety of spatial scales as well as tiers of governance:

1. The main 'furlough' scheme to cover the salary costs of employees unable to work, and the related support for the self-employed, which constituted a substantial public subsidy for private consumption and wealth accumulation by both direct recipients, and rentiers who saw asset-related cashflows continue (Christophers, 2020).
2. Monetary policy interventions, such as the Covid Corporate Financing Facility, in the context of the ongoing programme of quantitative easing.
3. Business support grants and loans managed by central government (provided via the private sector), or the publicly owned British Business Bank (BBB), such as the Bounce Back scheme, the Future Fund and the Covid Business Interruption Loan Scheme.
4. Grants provided and managed by local authorities to support local SMEs to remain open or re-open following periods of lockdown.

The paper examines each area of spending in turn using public expenditure data to analyse the sub-national allocation of each of these forms of public financing of business. It finds that there is no evidence that pandemic-related interventions were designed strategically to rebuild the economy in a way that is 'better'—or even simply *different*—to what went before. The policies discussed did not seek to reform the UK private sector, in terms of employment and investment practices, even as they bailed it out. This applies especially to the notion that interventions might have been designed to address spatial unevenness in the UK economy. There is some evidence that interventions have

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in fact had the opposite impact, that is, reinforcing spatial unevenness by primarily benefiting affluent parts of the economy.

However, for the most part, this outcome has also *not* been planned strategically: interventions simply mirrored the spatially uneven 'before' economy. Some mainstream economists suggest that, by slowing the process of job reallocation, policies such as the furlough scheme may have inhibited economic recovery (Anayi et al., 2021). Yet we cannot understand the task of policy elites as focused on simply steering the economy away from recession—doing so while restoring the pre-crisis accumulation regime (with limited reallocation) was the key objective. This helps to understand the way the COVID-19 crisis was construed, as exogenous and unforeseeable: the state is required to weather the storm, but has no capacity to alter the climate. The public sector substituting for economy activity that would previously have been privately organised was therefore the core characteristic of pandemic-related interventions—and the narrative which served to legitimise them. It may be that *not* intervening would have been more transformative—but the crisis was deemed to be something to be endured temporarily, not an opportunity to correct underlying problems such as chronic spatial inequality. The paper begins therefore by briefly discussing the concept of 'crisis construal' (Jessop, 2015) to frame our analysis of the response to COVID-19 nationally and locally. The remainder of the first section introduces UK economic and regional policy since the 2008 financial crisis, and the second section presents our analysis of pandemic-related interventions.

Economic crises, the British state and centre/local relations

Crisis construal and state action

The profound and destabilising impact of economic crises means they can potentially instigate 'critical junctures', or path-shaping moments of political re-orientation, depending on the ways in which the causes and complex events constituting the crisis become understood (Blyth, 2002; Hay 2011). This is precisely why the act of *defining* a crisis—and indeed narrating particular economic circumstances as a crisis—is a highly political act. Accordingly, crisis definition is invariably subject to contestation from society's most powerful vested interests. As Bob Jessop recognises, 'the strategies and interests of dominant social forces are crucial in selecting crisis interpretations and translating them into efforts at crisis management' (Jessop, 2015, 109).

The literature on crisis narratives has focused on how capitalist crises are often construed as crises of the state, rather than of the economy, therefore limiting the scope for state intervention and its legitimation. This is the central story of the Winter of Discontent in the late 1970s which became widely perceived as a crisis of the Keynesian state (Hay, 1996), the 2008 financial crash which swiftly became perceived as a crisis of public indebtedness (Hay, 2011) and the European sovereign debt crisis which was commonly seen as issue of profligacy in Southern European governments rather than the limits of monetary union (Jessop, 2015). However, while the role of crises in enabling authoritarian practices in general has been acknowledged, there has been rather less attention on how crises might empower the state to take on new powers and functions specifically in relation to the economy, rather than being undermined in any straightforward sense (although see Bruff and Tansel, 2019). This paper analyses the limits to state intervention shaped by crisis construal, yet seeks also to fill a gap in understanding within political economy around occasions when the state becomes *more* interventionist as a result of crises. In 2008, UK policy-makers intervened in many of the basic functions of capitalism in new ways—but arguably less than was imaginable. In 2020, in

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contrast, the state did things previously considered *un*imaginable.

The British state in the inter-crisis period

The British state may conceivably have intervened more—or in different ways—after the 2008 financial crisis. But this is not to suggest that it did not embark on a highly interventionist path. Banking sector recapitalisation—and the Treasury's commitment to implicitly underpinning the balance sheets of all commercial banks—is the most obvious example. Quantitative easing (QE) was the centrepiece of 'extraordinary' monetary policy: its direct impact on aggregate economic performance has been limited, but it continues to play an important role in stabilising both capital markets and, more recently, the public finances. QE was accompanied by an array of schemes whereby the Treasury and/or the Bank of England subsidised or guaranteed lending by private banks (Berry, 2016b). The state's expansion more generally has been characterised by a 'substitutive' dynamic, whereby state institutions take responsibility for risky or unprofitable economic activities which had previously been organised privately (Berry, 2022). This applies in particular to the housing market, which was central to the pre-crisis economy and deemed essential to restoring growth after the financial crisis (Hay, 2013; Hofman and Aalbers, 2019; Lavery, 2018), and more recently to energy supplies (Zeffman and Smyth, 2021). The state will not act strategically to reconfigure the industries it intervenes in, but nevertheless its interventions are geared strategically towards restoring the accumulation regime (in modified form), that is, the dominant forms of capital accumulation within the economy and the associated institutional forms which regularise them.

It is telling of course that the state's expansion in this period happened despite the validation of 'austerity' by UK policy elites. Fiscal policy was used sparingly to engender economic recovery (although the impact of automatic stabilisers was the principal reason for the increase in public debt which meant fiscal consolidation targets were invariably missed). Austerity's central purpose was not spending cuts (or indeed tax rises), but rather the legitimation of an individualised approach to welfare (Berry, 2016a; Berry, 2016b; Stanley, 2016). Policy-makers after 2008 (and particularly after 2016) also signalled a revived interest in industrial policy or industrial strategy, ostensibly to challenge a pre-crisis economic model which had favoured the finance sector, and London and the South East. Yet the public discourse of 'rebalancing'—invoking an equilibrium that could be rediscovered—circumscribed the scope of such interventions as time-limited and exceptional (Berry and Hay, 2016).

The possibility of enhanced state capacity for 'vertical' industrial policy interventions is also relevant to the fate of 'the local state' in England in this period. However, despite a brief interest in 'local industrial strategy' after 2016, a neoliberal account of economic governance has been promoted as the *solution* to a spatially embedded accumulation crisis, rather than its cause. The intensification of geographical inequalities was construed primarily as one of public sector or policy failure. This is most evident in the Treasury's approach to devolution and local economic development, which has encompassed the imposition of new administrative structures in many parts of England (based on city-regions and greater private sector involvement), a reorientation of local government finance from untied grants to 'deals' for development funding between the Treasury and localities and the promotion of 'agglomeration' theory—consistent with the neoclassical paradigm—as the only viable framework for local growth (Beel et al., 2021; Gray et al., 2018; Martin et al., 2016). In combination with the impact of austerity-related cuts to local government budgets, the result has been the intensification of economic crisis at the local level, complemented by political crises in governance and legitimacy (Jones, 2019; Pike et al., 2018).

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The experience of COVID-19 has not uprooted the dynamic evident since 2008, nationally or locally. Recent interventions in fact bore the hallmark of pre- and post-2008 economic governance, albeit with a degree of innovation. In terms of the local state, the Johnson government has emphasised its 'levelling up' agenda in recent months, alongside its interest in promoting towns and smaller cities ahead of city-regions. These initiatives pre-date the pandemic, but have had the unintended consequence of undermining localised responses to COVID-19. The Johnson government has sought to further depoliticise local economic development, and deprive existing local government structures of legitimacy (just as the new 'metro-mayors' were becoming established in the UK's messy, multi-level state). The marginalisation or bypassing of local government to offer development funding to towns and smaller cities actually reinforced the complex picture of centralised control, amid a degree of devolution, evident since 2010 (Tomaney and Pike, 2020).

The COVID-19 crisis

The UK's gross domestic product (GDP) fell by almost 10% throughout 2020 as a result of COVID-19, or more precisely pandemic-related 'lockdowns'. Household incomes have declined in the UK by significantly more than in comparable countries, in part due to higher job losses (although unemployment has been partially mitigated by the furlough scheme) and the relative weakness of the UK's social security net (Gustaffson et al., 2021). The UK government's budget deficit reached a peacetime record level, and public debt—which has remained high due to the impact of the severe recession after 2010—has risen to close to 100% of GDP (although the Bank of England has intervened to limit the fiscal impact). This is largely due to measures to support households and the private sector costing £340 billion (Harari et al., 2021) (many of which are discussed below). Of course, it was not, in any straightforward sense, the severity of the economic impact of the pandemic and associated public health restrictions, which rendered COVID-19 'a crisis' for the UK economy. Equally, the crisis was constructed over time, as it became apparent that, without unprecedented state action, a profound economic rupture had become imaginable. Whether COVID-19 was an endogenous product of capitalist accumulation processes, rather than simply an exogenous shock, is debateable. But it is clear that the pandemic represented a threat to the UK's extant accumulation regime.

Yet the government was initially hesitant to construe COVID-19 as major threat, instead emphasising the 'risk that new diseases such as coronavirus will trigger a panic and a desire for market segregation that go beyond what is medically rational to the point of doing real and unnecessary economic damage' (Johnson, 2020). However, as it belatedly began to understand the scale of the medical emergency, the government launched an unprecedented peacetime wave of economic subventions. These were intended first to pause the economy, and then to restart it, over the summer of 2020 when the crisis was deemed to have been brought under control. Throughout, the crisis has been construed not just as a product of the pandemic, but as a product of people's reactions to the pandemic. Overall, the impact of COVID-19 has certainly, eventually, been construed as a crisis by policy elites. But it is not necessarily the pandemic itself that has caused the crisis—rather society's reaction to it. By strongly signalling its reluctance to introduce public health restrictions, the Conservative government was able to imply that, when lockdowns have been introduced, they have been necessary largely because individuals have been unable to voluntarily avoid unnecessary mixing. At the same time, and paradoxically, an array of extraordinary economic interventions became necessary not to protect business from the impact of the pandemic as such, but rather individuals' over-cautiousness around continuing

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to participate in the economy—as evidenced by schemes such as Eat Out to Help Out (which encouraged indoor socialising) and the frequent exhortation to return to 'the office'. In this construal, COVID-19 is, in short, a crisis of public values as well as public health.

It is also essential to note that COVID-19 was often been portrayed by the UK government as a predominantly local phenomenon. The first 'local lockdown' came into force in Leicester in July 2020—as restrictions on hospitality and retail were actually being eased nationally. Greater Manchester was particularly negatively affected, as parts of the city-region were compelled to stay in lockdown for longer as the government introduced a system of determining where localised public health measures were necessary. Local authorities gained some powers to enforce social distancing in their areas, but few additional financial resources to mitigate the impact on their local economies—a contradiction that led to an infamous public row between central government and Greater Manchester's mayor, Andy Burnham.

Centre/local relations in this regard typify how the COVID-19 crisis has been narrated and managed by national policy elites. The desire to see the pandemic, after the first wave, as localised, indicated the government's intent to downplay its significance. Yet it was primarily central government that took responsibility for managing local outbreaks. Local measures will be discussed further below, but invariably central government chose *not* to vary its economic interventions by locality or region even in areas where the pandemic was having a more severe impact. The local was recognised as distinct from the national, not to justify endowing local government with additional resources or economic policy powers, but rather the opposite. It was only when the national economy is in jeopardy that state intervention became necessary, even if these interventions took the form of grants and loans to individual, locally-rooted companies.

Fiscal and monetary interventions in the context of COVID-19

Supporting work: the furlough scheme and income support for the self-employed

The Coronavirus Job Retention Scheme (CJRS or 'the furlough scheme') ran from 1 March 2020 to 30 September 2021. It allowed businesses to retain employees on their payroll who were unable to work due to the pandemic (whether because of lockdown prohibitions or pandemic-induced shifts in demand), with state-subsidised wages. This benefited employees, who enjoyed far higher income levels than they would have received had they lost their jobs and been forced to rely on the standard welfare system; it benefited employers, who were able to hold on to experienced staff and their expertise during a period of enforced closures; and it benefited public health, by limiting economic activity that might otherwise have contributed to spreading the virus. It allowed furloughed households to maintain living standards; it provided pent-up savings that could be spent once restrictions were removed; and it maintained rental income and property prices for landlords of residential property occupied by furloughed workers.

Its estimated cost as of 14 October 2021 was £70 billion, making it one of the largest components in the government's fiscal response to the coronavirus crisis—and thus decisive in shaping the spatial and sectoral character of state intervention. Unsurprisingly, given the scheme set out to subsidise existing employment patterns, it largely replicated these patterns. The differential impact of lockdowns on demand for different industries, and the differing ability of different industries to continue operating remotely or with social distancing, meant some sectors saw substantially higher levels of furlough than others, with the highest levels recorded in hospitality, the arts, entertainment and recreation.

What is more surprising is the distinctive regional pattern of take-up of the furlough

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scheme. It might be thought that the regional pattern of CJRS funding would reflect the differing severity of restrictions placed on different areas. For example, following the end of the first national lockdown on 4 July 2020, several regions were placed under local lockdowns, beginning with Leicester and parts of Leicestershire, before extending to large areas of Northern England and the Midlands by the middle of September. The tier system, introduced in mid-October, placed severe restrictions on the Liverpool City Region and also upon areas including Nottinghamshire, Greater Manchester and parts of Yorkshire, the West Midlands and the North East—though these were rapidly replaced with a second nationwide lockdown in November. Differential tiers were briefly reintroduced in December, before the third national lockdown began in January 2021.

However, as Figure 1 indicates, regional levels of furlough uptake were largely insensitive to these changes. Instead, what we see is a pattern whereby take-up of the furlough scheme was consistently higher in London than elsewhere. In other words, not only did CJRS funding patterns reflect the existing distribution of resources, as might be expected from a national scheme, but these resources were disproportionately skewed towards the most prosperous region of the UK.

One plausible explanation for this outcome is compositional: reflecting the fact that London's economy is weighted towards industries that are more likely to be furloughed. However, on closer examination this explanation only accounts for a small proportion of the variation. While London does have above average employment levels in highly furloughed sectors such as hospitality and the arts, it also has above average employment in sectors such as ICT and finance, which were comparatively unlikely to be furloughed. Instead, the difference is primarily attributable to the fact that workers in most sectors were more likely to be furloughed in London than their counterparts in the same sectors elsewhere in the country. For example, on 31 March 2021, overall furlough take-up in London stood at 16.9%, as opposed to 14.3% for the UK in general. If the sectoral composition of the London economy had mirrored the

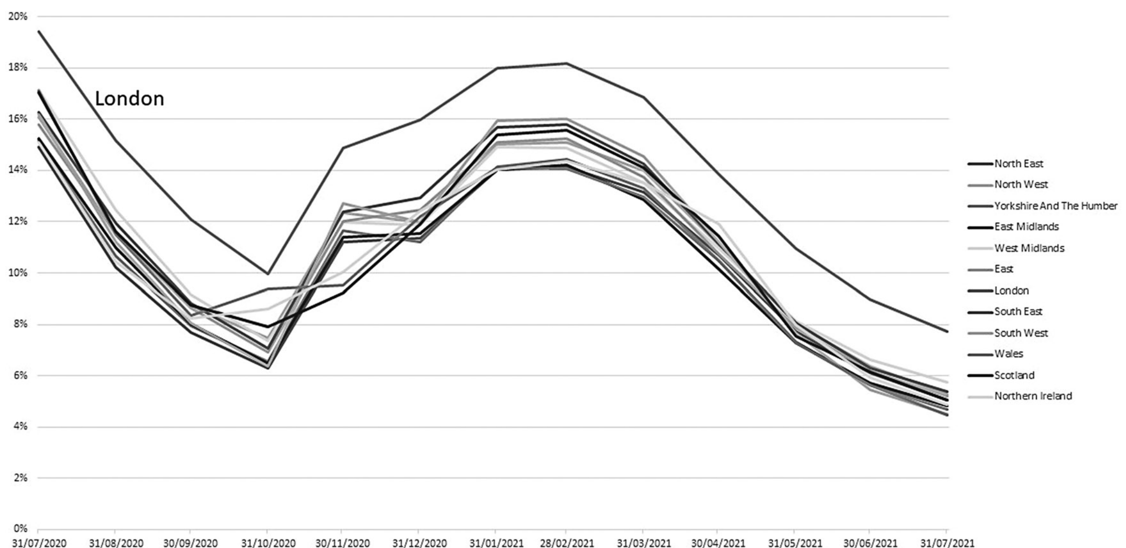

Figure 1. *Proportion of employees furloughed by region, July 2020–July 2021.*
Source: HMRC (2021a).

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sectoral composition of the English economy at this date, but had still been furloughed at London's sectoral rates, the capital's overall furlough level would have fallen a mere 0.1 percentage points, to 16.8%.

In other words, the discrepancy is a city effect, not a compositional effect: related to a sharper fall in demand across diverse sectors than in other regions, as commuters and local residents remained at home, to avoid crowded shops, streets, buses, trains, restaurants, bars and offices; as well as to the supply-side challenges of operating productively in a densely-populated area, where commercial property is expensive, while still observing social-distancing restrictions. The point is reinforced by examining more granular furlough take-up data from other regions. Parliamentary constituencies in major cities including Birmingham, Manchester, Leeds, Newcastle, Glasgow, Edinburgh and Belfast regularly reported among the highest CJRS take-up levels in regions outside of London. Working patterns in cities appear to have been disrupted more than work in most other locations (the exception being constituencies heavily associated with tourism, such as Scarborough and Whitby in Yorkshire, Westmorland and Lonsdale in Cumbria, and Dwyfor Meirionnydd in Wales) (see HMRC, 2021a). The CJRS can thus be understood as reinforcing the city-centric nature of the pre-pandemic economy, providing residents of cities with additional resources that may help to restore that city-centric demand as the pandemic subsides.

Added to that, the structure of CJRS outside nationwide lockdowns can be interpreted as reinforcing the North/South divide inherent in the UK's accumulation regime. In the context of the local restrictions placed on parts of the North and Midlands from July 2020 onwards, the incremental reductions in the value of government's CJRS contributions from August through October 2020 can be seen as a targeted *withdrawal* of state support from these regions, relative to the previously established national baseline. This baseline was reaffirmed with the reintroduction of furlough in November 2020 at the start of the second national lockdown, suggesting that lockdown restrictions were only deemed to require additional financial support when they were applied to the South.

The Self-Employed Income Support Scheme (SEISS) complimented the CJRS by extending financial support to most self-employed people. The scheme was announced on 26 March 2020, although applications to the scheme did not open until May. Self-employed people had to demonstrate a history of reported earnings (and associated tax payments) prior to the onset of the pandemic, which dictated the level of income support they would receive up to a threshold (initially £2500 per month). Payments were made in five tranches, each covering a period of three months (from May 2020 onwards), except for the final tranche which covered a five-month period (from May 2021 to September 2021, albeit with grant size still pegged to three-month earnings). There were multiple ad hoc modifications to the generosity and qualifying criteria for the scheme over this period. Unlike the CJRS, from the beginning eligible applicants were able to claim the grant while continuing to trade and higher earners (those with previous income levels over £50,000/year) were excluded from the scheme. Its estimated cost as of 7 October 2021 was £28.1 billion.

As Figure 2 shows, London once again dominated SEISS claims, as a proportion of potentially eligible applicants (that is, those who had a qualifying track record of earnings from self-employment). Interestingly, however, this pattern did not emerge immediately, which may reflect the fact that it was initially possible to claim SEISS and continue one's self-employed activities. As the criteria for demonstrating that the pandemic had reduced one's self-employed income became more exacting over time, self-employed people who were capable of

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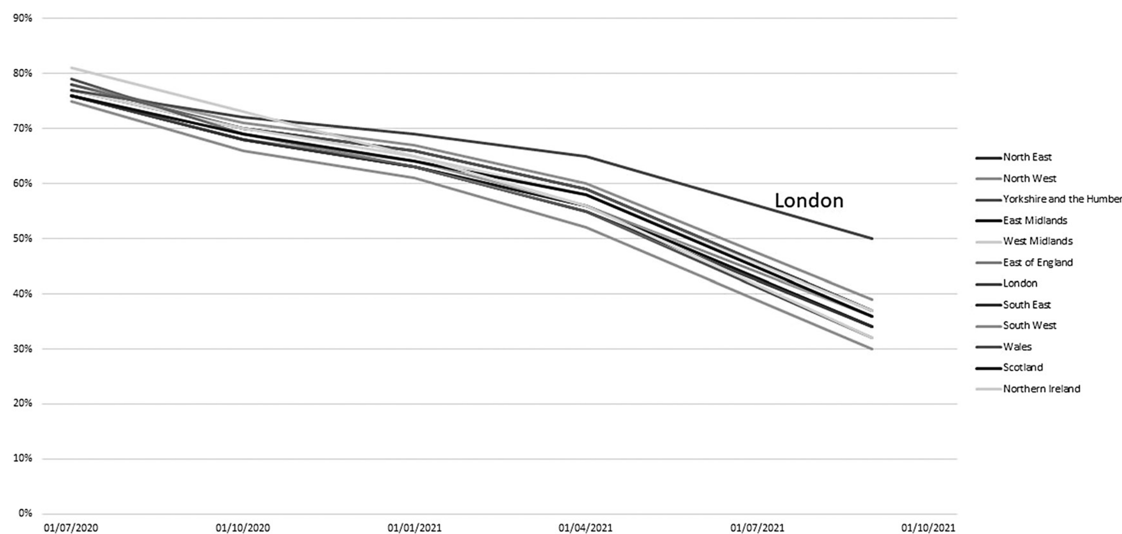

Figure 2. *Proportion of people in self-employment eligible for SEISS by region, July 2020–October 2021.*
Source: HMRC (2021c).

resuming work or had experienced lesser disruption were discouraged from continuing to claim—hence the slower decline in the claim rate in London may reflect the more lasting nature of economic disruption in the capital.

It is telling that CJRS and SEISS—two of the largest fiscal interventions in the government's pandemic response—follow the pattern of welfare individualisation, discussed above in a pre-pandemic context. Both schemes emphasise a transactional relationship between the central state and the individual (stressing prior tax payments as an eligibility requirement) to the exclusion of wider civil society and sub-national tiers of government. That the CJRS was administered via employers did not alter the state/individual transaction at its heart. Such individualised relationships are geographically agnostic, which in the context of the pandemic meant that resources have been disproportionately diverted towards the most prosperous region of the UK. This regional pattern does not appear to have registered in elite-level discourses about the pandemic—but even if it did, it appears likely it would be viewed as exogenous accident, a simple coincidence that economic life in cities was more heavily disrupted due to higher population density. However, it is also worth noting that the economic life of prosperous cities such as London was more readily *disruptable*, involving a disproportionate share of work that did not continue remotely and yet either was not deemed sufficiently essential by government to be permitted to carry on regardless (Sissons et al., 2021), or not deemed sufficiently essential by customers to be in-demand as lockdown restrictions relaxed.

Monetary policy interventions: the Covid Corporate Financing Facility

Monetary policy has been largely absent from debates on uneven regional development (Martin 2015), but central banks have become powerful institutions of governance at times of economic crisis and their actions have pronounced distributional consequences that shape regional economic trajectories (Sokol and Pataccini 2021). The pandemic-induced economic downturn of 2020 prompted the Bank of England (BoE) to create the Covid Corporate Financing Facility (CCFF), which was designed

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to help 'eligible businesses' manage disruptions to their cash flow caused by the pandemic through purchasing commercial paper: a debt instrument used by large corporations to finance short-term obligations such as paying wages or suppliers. The CCFF offered financing on terms comparable to those prevailing in markets in the period before the pandemic, for a period of up to 12 months. Eligible businesses are those corporations that 'make a material contribution to economic activity in the UK' and possess 'a credit quality that is considered investment grade' (BoE 2020a).

As with previous rounds of QE, the CCFF's purchases were financed by the *ex nihilo* creation of central bank reserves (BoE, 2020a). As such, this scheme represents the latest iteration of the BoE's extraordinary (and yet, by now, remarkably normalised) tool of crisis management, on top of the increase in total post-2008 asset purchases associated with QE rising from £645 billion to £895 billion between March and November 2020 (BoE, 2020b). The BoE's data reveals that 94 companies drew on the CCFF scheme from 4 June 2020 (with other unnamed companies drawing on the scheme and resolving their debt before the Bank began publishing CCFF data) and indicates that the resources were disproportionately concentrated in the South of England.

Of the 94 companies benefitting from the CCFF, 61 companies were headquartered in the South of England, and 17 overseas, whilst only 16 were headquartered in the North of England, Wales, Scotland or Northern Ireland. In terms of CCFF's total resource distribution, the South of England attracted 62.8% of the created monetary resources and only 13.9% was directed to businesses headquartered in the North of England, Wales, Scotland or Northern Ireland (and 23.3% directed to companies with parentage overseas). London-based companies such as Rolls-Royce, British Airways, Westfield, Arsenal Football Club and Tottenham Hotspur Stadium Limited benefitted from the scheme, as did a number of companies based in London's surrounding area such as RCL Cruises, Compass Group and the Intercontinental Hotels Group (BoE, 2021). Of course, numerous companies based outside the UK's less affluent regions have operations throughout the country (including G4S, Iberdrola International, Nissan and Telefónica, amongst others), which provide employment, goods and services. Nonetheless, the Bank's data clearly demonstrates that the monetary resources it mobilised primarily benefited businesses making a material contribution to the South of England's economy.

This is a continuation of pre-pandemic monetary policy practice. The BoE's QE programmes have long been guided by the principle that monetary policy interventions should not *distort* markets, even if it seeks to boost economic activity. This principle—sometimes referred to as 'market neutrality' (Adolph 2013; Klooster and Fontan 2019) – entails monetary interventions that match the pre-existing investment preferences of the capital markets. As the BoE's Monetary Policy Committee (2017) has stated, the 'intention has been to minimise interference in the private sector credit allocation process by buying a portfolio which is representative of issuance by firms making a material contribution to the UK economy'. Conforming to the allocative tendencies of the capital markets represents a deliberate attempt to minimise the impact of the BoE's purchases on the relative prices of financial assets. Our assessment of the CCFF therefore aligns with recent scholarship on the enduring epistemological supremacy of neoclassical economics which inculcates deference to free markets as the optimal allocators of monetary resources (see Green and Lavery, 2015), as well as the desire to depoliticise the BoE's growing power (see Best, 2016; Papadia and Välimäki, 2018; Tucker, 2018).

The notion of market neutrality has been strongly criticised in recent years. Many scholars have argued that a commitment to non-distortive monetary policy equates to

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a structural bias toward pre-existing investments and industry incumbents, which serves to reinforce the economic status quo regardless of the dysfunctions, inequalities or ecological impacts pertaining to it (see Adolph, 2013; Campiglio et al., 2018; Gabor et al., 2019; Klooster and Fontan, 2019; Ryan-Collins, 2013; Volz, 2017). When the prevailing market forces exacerbate inequalities, then 'market neutral' QE has tended to compound these disparities—as has been recognised by the BoE itself (BoE 2012).

The CCFF data suggests that a structural bias towards economically stronger regional economies in this scheme has been intensified by the pandemic, despite the ostensible commitment of Andrew Bailey, the BoE's new Governor, to the notion of 'building back better' with a policy response that addresses climate change and other socio-economic issues (Bailey et al., 2020). The CCFF, along with other 'non-distortive' monetary interventions and fiscal policies, has served to support the economy in some regions more than others. The technocratic language of the Bank seeks to disguise the political character of these policies, but the CCFF nonetheless represents a crisis management intervention into markets by a key state agency in ways that serve to exacerbate regional inequalities in the UK.

Business support schemes

Various business support grants and loans managed by central government (provided via the private sector, or the publicly owned BBB) were established in the wake of COVID-19, including the Bounce Back Loan Scheme (BBLS), the Covid Business Interruption Loan Scheme (CBILS) and the Future Fund.

Until March 2021, the BBLS offered business loans up to £50,000, or 25% of turnover (if lower). They were provided privately but guaranteed by the state. More than 1.5 million companies were awarded loans, at a total value of almost £50 billion. Repayments began in May 2021, with defaults of 5–10% expected to cost the Treasury around £5 billion (Thomas, 2021). The CBILS also ended in March 2021. It offered loans via private providers of up to £5 million for businesses with an annual turnover under £45 million, with 80% guaranteed by the state. Around 100,000 loans were made, valued at around £25 billion—the scheme had more stringent checks, so defaults are expected to be around only 1%. It is worth noting that officials at the Department for Business, Energy and Industrial Strategy (BEIS) and BBB expressed concerns about the scheme: BEIS's acting permanent secretary demanded a written 'ministerial direction' to proceed with the scheme. It was later criticised by the National Audit Office and the House of Commons Public Account Committee. Concerns focused on the risk to the public finances created by the relative ease by which businesses could access state-backed credit at the discretion of private banks (Beckett, 2020; House of Commons Public Accounts Committee, 2020; National Audit Office, 2020).

The spatial distribution of BBLS and CBILS loans was roughly proportionate to the regional location of all companies, with London only slightly over-represented. London has 19% of the UK business population, but London-based firms were awarded 22% of the total value of BBLS and CBILS loans awarded. The only other region which was over-represented in this way was Northern Ireland (2% of firms, and 3% of total value) (derived from BBB, 2021a; BEIS, 2020).

The regional distribution is related, in part, to the schemes' industrial distribution. Retail, hospitality and real estate were heavily over-represented in BBLS and CBILS loans. Retail firms have 18% of total loan value, for 9% of the business population. Hospitality firms had 9% of total loan value, for 4% of the business population and real estate had 6% of total loan value, for 2% of the business population. The industries most significantly under-represented were professional activities (10%, 15%) and arts, entertainment

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and recreation (2%, 6%) (derived from BBB, 2021a; BEIS, 2020).

A version of CBILS was also available to larger firms with turnover above £45 million. Around 700 loans were made, valued at around £5 billion. The government has not released any data on the regional distribution of these loans—the small number of recipients means this information is deemed commercially sensitive (a principle *not* applied to the CCFF). It is reasonable to expect that a large proportion of these companies are headquartered in London, although many will operate in other parts of the UK and overseas. We cannot say with confidence that the scheme reinforced spatially uneven economic development in the UK. However, we can say that policy elites were prepared to defend the status quo, responding to COVID-19 with generosity for the largest companies, even though they are more able to draw upon conventional loans and cash reserves—and many were already benefiting from the furlough scheme to cover employment costs—to help them to withstand a temporary loss of revenue.

The Future Fund was administered by the BBB directly (it closed in January 2021). It offered convertible loans—essentially, equity investment—to start-up companies unable to access other public or private financing schemes (state investments had to be matched by a private investor). There were around 1200 investments valued at around £1.2 billion. The regional distribution of Future Fund investments was very heavily weighted towards London. 60% of the total value has been awarded to companies based in London (as start-ups, they may of course eventually operate outside London) (BBB, 2021b), despite the Chancellor's argument that it would 'enable innovative businesses in every corner of the UK to access the finance they need to scale up' (cited in Cook and Harlow, 2021). The BBB has not officially disclosed the names of Future Fund recipients, but recent *Financial Times* analysis of the companies that have been identified paints a remarkable picture. Almost half of companies are based within 5 miles of Whitehall, 38% are based within London's 'zone 1', and 18% are in the same parliamentary constituency as the Treasury (Cook and Harlow, 2021).

The BBB pointed out that the spatial bias is consistent with venture capital investment in the UK. Its own surveys show that, in 2019, 66% of the value of equity investment in start-ups went to London-based firms (BBB, 2021b). However, while the BBLS and CBILS were designed for established companies, the BBB and the Treasury were clearly free to direct a more significant proportion of pandemic-related start-up finance to other parts of the UK (obviously we must temper these findings, and our commentary, with the acknowledgement that the Future Fund is a relatively small scheme, which may ultimately produce profits for the BBB.)

The general story in terms of pandemic-related business support schemes, operated by central government, is not one of London and/or the South East capturing the bulk of the available funds—in most cases, the bias to London was only slightly disproportionate to the geographical location of firms. Rather, it is a story of the schemes not being used strategically to reshape the UK private sector, even as they bail it out. A commercial relationship between individual companies and private lenders was at the heart of the design of most schemes, despite being founded on the state's balance-sheet. In justifying the schemes, 'business' was presented by ministers in generic terms as inherently good, for both growth and resilience in the wake of COVID-19. At the launch of the BBLS, the Chancellor, Rishi Sunak, remarked that business 'will play a key role creating jobs and securing economic growth as we recover from the Coronavirus pandemic' (cited in HM Treasury, 2020c). A Treasury press release announcing the CBILS stated that the scheme would 'protect' business from 'the global economic emergency brought on by coronavirus'

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(HM Treasury, 2020a). COVID-19, in this narrative, was something that has happened to business—there was little space in elite discourse to question the private sector's complicity in the UK economy's vulnerability to the impact of the pandemic.

The one scheme directly administered by the state—the Future Fund—also made no effort to mitigate exist patterns of spatially uneven business finance. At its launch, Rishi Sunak said:

> Our start-ups and innovative firms are one of our great economic strengths, and they will help spur our recovery from the pandemic. The Future Fund will support firms across the UK to get through the pandemic by stimulating investment, so that they can continue to break new ground in technology and innovation.

Alok Sharma (then Business Secretary) added: 'Britain is an innovation powerhouse and helping our cutting-edge companies of the future get the cash they need during this difficult time is a vital part of getting the UK economy up and running again' (both cited in HM Treasury, 2020b). As such, a significant increase in subsidy for venture capital was justified on the basis that start-ups are inherently innovative and essential to growth-inducing investment. None of the schemes discussed in this section had any involvement of local government in their administration.

It is also worth discussing briefly here two additional schemes aimed at supporting particular firms and industries throughout the pandemic. In August 2020, firstly, the Treasury ran the Eat Out to Help Out scheme (EOTHO), funding restaurant discounts (of half the cost of a meal, up to £10) in support of the hospitality industry, at a cost of around £850 million. As mentioned earlier, the strength of the hospitality sector in London and the South East relative to other regions meant that this area benefited from the highest number of discounts (16.5 million and 12.9 million respectively), albeit closely followed by the North West and the South West. The bias in favour of restaurants was more pronounced in terms of total discount value (£105.8 million). The South East is again in second place (£72.4 million), closely followed by the North West (£72.2 million) (HMRC, 2021b).

Secondly, the government decided that businesses in the retail, hospitality and leisure industries—again, a higher proportion of London's economy than elsewhere—would not have to pay business rates (a tax on the occupation of non-domestic properties) for the financial year 2020/21. According to the Institute for Fiscal Studies (IFS), the areas receiving the highest amounts of relief were those with a large number of large retail centres, such as Manchester/Trafford, Newcastle/Gateshead, and Cheshire West. However, this masks the policy's explicit bias towards London. As the IFS explains:

> [T]hese figures can be affected by the value of a relatively small number of particularly large properties (such as department and major high-street stores). Areas with high median amounts of relief – which are not distorted by such outliers – are much more heavily concentrated in London and its environs where property values and rents are highest. Reliefs for properties in Westminster amount to £943 million, over 9 per cent of the national total, reflecting the fact properties in this [local authority area] represent over 8 per cent of all rateable value in the retail, hospitality and leisure sectors (Ogden and Phillips, 2020).

Government data shows that London-based firms accounted for 29% of the total amount of relief provided (£3.1 billion of £10.8 billion). The South East accounted for 16% (£1.7 billion), and the North West accounted for 11.2% (£1.2 billion) (MHCLG, 2020).

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EOTHO and business rates relief demonstrated the government's willingness to, in different ways, support the retail and hospitality industries in particular—as very large service sector (and generally low pay) employers. These industries are also an important component in the UK's consumption-led and debt-based accumulation regime—alongside the housing market. As noted above, real estate companies benefited disproportionately from pandemic-related business support schemes; they also benefited disproportionately from the CCFF (see above), and will benefit from the reintroduction of Help to Buy loans and guarantees for prospective home-owners (see Berry, 2022).

Locally administered schemes

In England, the UK government sought to support small- and medium-sized enterprises (SMEs) through a variety of grant schemes. These include the Additional Restriction Grant, the Restart Grant, the Local Restrictions Support Grant, the Christmas Support Payment, the Local Authority Discretionary Grant Fund, the Small Business Grants Fund and the Retail, Hospitality and Leisure Business Grants Fund. Each scheme was targeted to either counteract a particular phase of enforcing lockdown, or support a particular sector recovering from the effects of the pandemic and the resultant loss in trade (BEIS, 2021a).

These were administered at the local government level with local authorities having received and distributed funding to support SMEs throughout the COVID-19 pandemic. Although this support was less considerable than other, larger interventions discussed in this paper, they collectively amounted to substantial expenditure by the UK government in response to the pandemic. The grant funding schemes listed above, if combined, amounted to approximately £24.5 billion being distributed to and by local authorities from March 2020 through to September 2021 (BEIS, 2021a).

The local administration of these schemes does not mean all localities benefited equally. We can see a quite significant regional divergence in terms of where the money was distributed, reflecting and reinforcing geographical inequalities. Table 1 highlights the total spending for each individual fund as well as the overall totals, and Figure 3 shows combined overall spending through these SME grant support mechanisms.

Across all the funds selected, there was a clear bias to London and the South East: in almost all funds selected (with the exception of the Restart Grant, where the South West and North West have distributed more funds) these regions were the two highest distributors of funds to SMEs. This follows the pattern of financial support being delivered to where there is most economic activity. This of course reflects what such funds were designed to do—protect SMEs where they are located—rather than support local economies to develop.

As discussed above, we know that many local authority areas experienced increased restrictions beyond those applied nationally. Table 2 highlights payments from these locally administered schemes for areas that existed under the most stringent restrictions for the longest period (compared to the average for London local authorities). It can be observed that both Bolton Metropolitan Borough Council and Leicester City Council did administer grant support above the average for the London local authorities (LAs). Blackburn with Darwin Council delivered less grant support than the London average, but this reflects these local authorities having a considerably smaller population.

To a certain extent, the implementation of these funds represents a functional logic in terms of crisis response. The structure of the funds detailed in Table 1 merely casts local authorities as conduits of the implementation of central government policy following the prescribed instructions for each fund. This is an example therefore of centrally determined localism, as local authorities had no substantive role in their distribution beyond administration—nor did they see any form of increased

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Table 1. *Regional distribution of small- and medium-sized enterprises (SME) grant spend by local authorities (LAs).*

Region	Additional Restriction Grant (payments by LAs)	Restart Grant (payments by LAs)	Local Restrictions Support Grant and Christmas Support Payment (payments to LAs)	Local Authority Discretionary Grant Fund (payments by LAs)	Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Business Grants Fund (RHLGF) (payments by LAs)	Total
East Midlands	£143,054,978	£228,580,358	£568,785,628	£47,499,585	£911,015,000	£1,898,935,550
East of England	£187,662,150	£308,798,657	£756,622,656	£59,673,673	£1,188,715,000	£2,501,472,136
London	£278,012,901	£469,433,185	£1,490,938,670	£79,227,990	£1,635,770,000	£3,953,382,746
North East	£83,789,999	£159,764,113	£362,700,335	£25,542,850	£512,660,000	£1,144,457,297
North West	£226,916,354	£412,649,602	£1,073,716,944	£77,133,154	£1,551,535,000	£3,341,951,054
South East	£280,632,185	£407,877,503	£1,140,675,224	£82,968,538	£1,625,760,000	£3,537,913,449
South West	£181,155,897	£447,390,092	£943,699,401	£73,131,709	£1,374,870,000	£3,020,247,100
West Midlands	£178,243,631	£269,477,788	£707,357,498	£56,747,206	£1,114,280,000	£2,326,106,123
Yorkshire and Humber	£151,205,680	£336,298,252	£772,330,681	£60,835,553	£1,207,095,000	£2,527,765,166
Total	£1,710,673,774	£3,040,269,550	£7,816,827,037	£562,760,258	£11,121,700,000	£24,252,230,619

Source: BEIS (2021a, 2021b, 2021c, 2021d, 2021e, 2021f).

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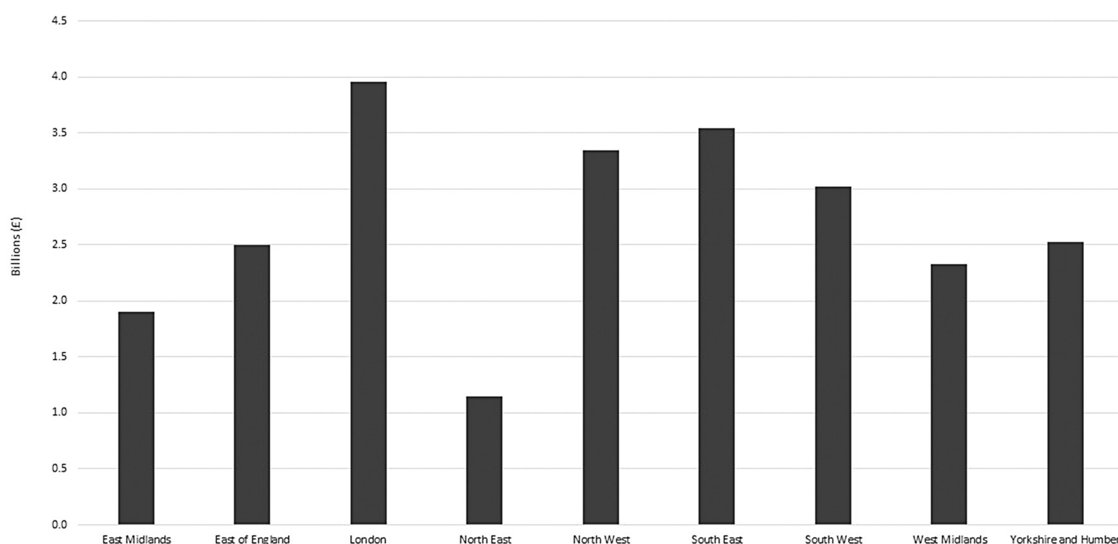

Figure 3. *Total locally administered SME grants in England by region.*
Source: BEIS (2021a, 2021b, 2021c, 2021d, 2021e, 2021f).

discretionary budget capacity. Furthermore, with the grants being administered exclusively at the local authority tier of governance, a potential role for combined authority and metro-mayor city-regions in the pandemic response was entirely forgone.

There were few opportunities to contest this approach—as the public row between Greater Manchester mayor and central government testifies (Mahase, 2020a). This tension was compounded by Greater Manchester having an aligned health and care partnership for the city-region that was, at the time, under severe pressure due to high COVID-19 rates, compared to most other areas in the UK (Mahase, 2020b). The UK government refused the combined authority's request that all furloughed workers should receive 80% of their wage when in October 2020 the area entered the strictest lockdown tier.

It is also worth considering local authorities' loss of revenue over the course of the pandemic. The reduction in revenues collected from various sales, fees and charges that councils administer compounds already fragile local budgets, due to a prolonged period of austerity prior to the COVID-19 pandemic (Pike et al., 2018). In response to this, central government distributed emergency funding to England's local authorities which, at the time of writing, amounts to a relatively small £4.6 billion (LUHC, 2021). Furthermore, as Table 3 highlights, total spending in each English region reflected a bias towards the South East and London whereby local authorities in those regions collectively received more support in terms of plugging the shortfall in their budgets.

This outcome essentially reflects the funding formulas used to calculate relative sums for each local authority, across four tranches of funding. The formulas solidify underpinning imbalances between regions—they were initially heavily weighted by population size, and then in later tranches by the 'COVID-19 Relative Needs Formula' (LUHC, 2021). The updated formula used additional parameters such as tier status, levels of deprivation and expenditure pressure. Despite the reworked formula, however, in terms of regional bias, the overall trend remained. As such, the meagre amount of funding available to cover lost revenues failed to address the wider budgetary issues that local

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Table 2. *SME grant spend by local authorities (LAs) with the longest time within additional public health restrictions (compared to London LA average).*

Local authority	Additional Restriction Grant (payments by LAs)	Restart Grant (payments by LAs)	Local Restrictions Support Grant and Christmas Support Payment (payments to LAs)	Local Authority Discretionary Grant Fund (payments by LAs)	Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Business Grants Fund (RHLGF) (payments by LAs)	Total
Bolton Metropolitan Borough Council	£9,975,596	£13,166,201	£37,939,142	£2,921,250	£58,795,000	£122,797,189
Blackburn with Darwen Borough Council	£4,353,662	£7,091,476	£22,498,011	£2,105,000	£40,705,000	£76,753,149
Leicester City Council	£12,490,869	£18,295,576	£52,366,610	£3,702,158	£74,235,000	£161,090,212
London Average	£8,424,633	£14,225,248	£45,179,960	£2,400,848	£49,568,788	£119,799,477

Source: BEIS (2021a, 2021b, 2021c, 2021d, 2021e, 2021f).

Table 3. *Emergency funding for local government in 2020 to 2021 and additional support in 2021 to 2022 by region.*

Region	Total
East Midlands	£391,416,573
East of England	£396,109,622
London	£772,881,797
North East	£238,658,217
North West	£667,698,551
South East	£648,664,363
South West	£412,686,372
West Midlands	£601,025,501
Yorkshire and Humber	£477,859,188
Total	£4,607,000,184

Source: LUHC (2021).

authorities have been facing either prior to or through the pandemic. This does little to support the promise of 'build back better', or indeed 'levelling up'.

Conclusions

COVID-19 has not been treated by UK policy elites as an opportunity to 'build back better' or 'level up'. This is perhaps understandable: it is reasonable to assume that policy-makers' attention would be on addressing the public health emergency, ahead of broader economic or regional policy ambitions. However, the threat of COVID-19 to public health has been consistently downplayed by the UK government, principally by emphasising its ephemeral nature. The interventions required to address the economic impact of the pandemic may ultimately have been sizeable—indeed unprecedented—but they were construed as necessarily time-limited. Where COVID-19 was ultimately recognised as a serious threat to the economy, it was not the pandemic per se that caused this threat, rather the reaction of individuals to the pandemic—that is, in electing not to fully participate in the economy. Accordingly, the economic dimension of the COVID-19 crisis was

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construed as a failure of public values, not a consequence of threats to public health.

The result is that although the state has intervened in the economy in novel or even previously unimaginable ways, it has done so largely to preserve an economic status quo, that is, a spatially uneven accumulation regime, rather than to strategically reshape a private sector effectively 'bailed out' by the state on an unprecedented scale. As some economists have argued, recovery may have been swifter had interventions not prevented job reallocation dynamics (Anayi et al., 2021). Accordingly, some industries, such as real estate, have benefited disproportionately from these interventions, even if the design of interventions has not explicitly targeted these beneficiaries. Some industries, such as retail and hospitality, have been specifically targeted. As such, there is little evidence of explicit intent to preserve geographical inequalities, but rather an accumulation regime that centres financial services, privileges housing wealth and related forms of rent extraction, and relies upon low-wage service industries for mass employment.

The industrial and spatial foundations of the UK model cannot be easily untangled, as the impact of pandemic-related interventions has reminded us. The furlough scheme, for example, was available nationally—with no targeted elements—but take-up was significantly higher in the London region, because of a clear city effect. Large cities encompass both high-value and low-value service industries. The same effect can also be observed in other regions with large cities, but London's pre-pandemic status within the UK's centrifugal economy means it was the main beneficiary of interventions that aim only to preserve this model, rather than consider how it might have contributed to the impact of COVID-19 in such places.

The form of economic policy interventions evident amid the pandemic is not, however, entirely novel. The ambition of elites to preserve the status quo is similar: whereas 2008 was construed as a crisis *in* finance rather than a crisis *of* finance (Jessop, 2015), the pandemic has been construed as a crisis *for* the national economy—predominantly the private sector—rather than *of* the UK's nationally constituted accumulation regime. And some of the interventions to support the economy amid crisis are the same, most obviously in terms of monetary policy. It is worth noting that while, at the time of writing, the threat to public health of COVID-19 remains highly significant, the economic crisis associated with the pandemic in the UK has been resolved. The state's armoury was enhanced, and deployed, under crisis conditions to prevent COVID-19 from transforming the UK economy beyond recognition. This paper has focused on the 2020–2021 period for precisely this reason. The years ahead may see similar interventions reintroduced, especially if the public health situation deteriorates—and given that all crises leave an imprint on economic governance, it would in fact be somewhat unusual if we did not see such a development—but this would not constitute a crisis in the same terms.

There are important differences in crisis construal between the COVID-19 crisis and the 2008 crisis, which have shaped the interventions which have ensued. Above all, 2008 was not treated as spatially differentiated phenomena—even if an over-reliance on a London-centred finance industry exacerbated its impact in the UK, and even if UK policy-makers occasionally suggested regional 'rebalancing' would help the UK to withstand future crises. In contrast, COVID-19 has often been construed as a localised phenomenon, in terms of public health, in part to downplay its significance. Crucially, however, this has not given rise to a spatially differentiated set of interventions whereby the local areas most affected by the pandemic at different times are offered greater resources, or flexibility in how resources are managed and distributed. This is partly because the COVID-19 response draws upon longstanding centre/local relations whereby localities are deemed responsible for outcomes in their area, but not

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granted autonomy to shape how such outcomes materialise. As such, local lockdowns were centrally administered, for the most part. The aim was not to provide such areas with the resources to manage outbreaks, but rather simply to protect the national economy—essentially still understood in place-blind terms, despite its acute spatial unevenness—from the localised public health conditions.

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