



Spatial Economics Research Centre

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Development Control

My colleague Tim Leunig quoted in the [FT last week](#) raised the possibility that strong planning controls in the South East would force businesses to set up in the North. He suggests this might be good for the North, but not for the UK as whole.

I imagine that the coalition government would be quite pleased with this outcome given its emphasis on rebalancing. So it seems important to point out that this is the optimistic scenario. More realistically if a business that wants to locate in the Greater South East is prevented from doing so one of two things is likely to happen: (i) the entrepreneur goes off and does something else; (ii) the firm sets up outside the UK.

Businesses need to make a return on the capital that they invest. If they are forced to locate in places which are not suitable for their business they make lower returns. They either decide to do something else with their capital, or to invest elsewhere in the world where returns are higher. Assuming there is some lump of UK businesses out there which can be easily shifted around the country ignores this first order effect. Not a good thing when we need to generate more private sector employment in this country!

Posted by [Prof Henry G. Overman](#) on [Monday, July 05, 2010](#)

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