

# **Planning Constraints and the British Economy**

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## **ABSTRACT**

The United Kingdom has one of the most restrictive systems of planning control in the world, and one which has become more restrictive over the sixty years it has been in existence. The most obvious effect of this long lasting constraint on the availability of land for urban use is that the price of land with planning permission for urban development may be a thousand times higher than the price of an adjacent piece of agricultural land for which permission for urban development would be unobtainable.

This paper explores the economic consequences of the constraint and of the high price of urban land. The most obvious is its effect on the housing market where too few homes are built, housing is expensive, and the homes which are built are by some way the smallest in Western Europe. Moreover they are getting smaller and the majority of homes now being built are flats, a type of property which very few actually want to live in but which is forced on them because they cannot afford anything else.

The constraint also affects commerce and industry. So London is the most expensive city in the world, but though wages are also high, those not owning their homes are poor relative to other countries because of the high cost of living. Other UK cities are also expensive, as evidenced by the fact that the cost of office space or of industrial floor space in these cities is amongst the most expensive in the world. The high cost of space discourages uses which use a lot of space. As a result manufacturing is discouraged and the UK economy is far more service oriented than other comparable economies. Moreover industrial production is falling in the UK while in the rest of the European Union it is increasing. This trend is exacerbated by recent planning policies which encourage the demolition of factories and offices and their replacement by houses and flats.

The paper looks at the reasons for the continuing popularity of this policy of constraint. One reason is that the majority of the population are owner occupiers and therefore regard rising prices as a good thing, something which they would not do if they rented. Another is that most of the population believes that the UK is far more urbanised than it is, indeed four or five times more urbanised, and that the remaining rural area is half what it actually is. A third is that for almost the whole of the last sixty years planners and population have not seen economics having any relevance to

land use – ‘it is up to the planners to plan and the market to follow’. Only in the past two or three years has the position changed and the Treasury started to take an interest – but whether policies will change is another matter.

**Key Words: planning, economics, growth**