



# Spatial Economics Research Centre

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## Should we "Save the High Street"?

The government have asked Mary Portas to carry out a review aimed at [halting the decline of the High Street](#). The review will look at the problem of empty shops and clone towns. Labour agree with the coalition and have, for example, been talking about changes to planning law to stop local 'dominance' by multinational retailers.

Writing a couple of weeks ago, I observed that the Tesco Riots had led to another round of [supermarket bashing](#). Just as that dies down, the high street review looks set to reignite the debate. There is a serious issue to consider here - high streets generate 'externalities' that individual shoppers do not take into account when making their decisions. Some of these externalities are positive (e.g. the sense of community generated) while some are negative (e.g. extra congestion from having people drive in to the centre of town). Market forces don't deal well with externalities so it's possible that policy makers should intervene. What worries me, however, is how incredibly one sided debates about this issue have become. Reading much of the commentary you would think that intervening was essentially costless and that everyone agrees out of town shopping and clone towns are bad.

Clearly, however, this is not the case and there will be substantial costs to pay to further support the high street. Supermarkets offer cheaper prices, more diversity and convenience. So regulating them further will increase costs of living and reduce choice. Indeed, [SERC research](#) estimates that *existing* planning restrictions may already reduce retail productivity by 20%. If saving the high street requires further restrictions these costs will rise. High grocery prices hit the poor harder than the rich so the impact of this may also be regressive. Tax subsidies to support the high street (as proposed by some) are not costless either. What expenditure should we cut (or which taxes raise) to fund this? If the proposal is to somehow pass these costs on to supermarkets then that raises prices with the regressive impact just highlighted.

These costs may be worth paying. But the public debate too often ignores them. I am no media expert, but my major worry is that the commentary around this issue mainly reflects the concerns of the better off who have strong preferences for independent retailers (and disposable income to take advantage of them). Let's hope the review takes a more balanced approach to identifying the costs and benefits so that we can properly decide whether the latter outweigh the former.

Posted by [Prof Henry G. Overman](#) on [Tuesday, May 17, 2011](#)

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**Ryan E said...**

There's been a massive expansion in supermarkets in the last 10 years- Tesco alone has received 400+ developments permitted since 2002- so the notion of having 'further restrictions' to protect the high st does not fit with reality.

Many supermarkets exercised existing permissions granted prior to the tightening of out of town development rules in 1996/7 and have used other ways to work the planning system- eg heavy use of S106 agreements to get new developments through.

You also assume that supermarkets compete on price- that is simply not the case when prices for many everyday branded products are largely the same across the big 4. The local convenience stores on my high st in Stroud Green sell many branded products significantly below what the local tesco and sainsburys do. Selected loss leaders and 2 for 1 deals appear to be the normal pricing strategy for supermarkets these days.

You mention the negative externalities but the biggest impact is surely the loss of local income to the area and the multiplier effect to other businesses -if they close that is a structural impact which is often difficult to recover from.

19 May 2011 at 10:40

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