



# Spatial Economics Research Centre

Wednesday, 11 February 2009

## Local Authorities and the Downturn

After my post on the [geography of recession](#), I have been trying to clarify my thinking on the role of Local Authorities.

It is certainly the case that the recession will impact different places in different ways. [Some of these differences are predictable, some not](#). However, it is a big leap from this observation to the conclusion that we need to further devolve *economic* decision making.

There are at least three separate issues here. The first concerns the role of local government spending as a complement to national monetary and fiscal policy. Here, local authorities face problems of timeliness, displacement and leakage that surely limit the extent to which policy variation makes sense. I am particularly unconvinced by suggestions that buying locally where-ever possible will (a) do much to stimulate local economies; (b) help cash-strapped local council tax payers.

A second issue concerns local authorities' role in helping mitigate social effects. Local authorities play a vital delivery role here. Ideally, policy should also vary with local conditions. [Case study evidence from IDeA and LGA](#) show that this is the case. Of course, this is one of the well-known benefits of devolution, but it doesn't actually make the case for *more* devolution.

Another benefit of devolution is that it allows for experimentation. That seems to be the case in response to the recession. But it is important that this experimentation draws from past experience and from an understanding of current conditions (it's also important that lessons are learnt for next time). For example, my colleague Christine Whitehead suggests that in the last crisis advice and small-scale assistance worked better to help maintain people in their homes and limit costs to the public purse than did either addressing the consequences of repossession through homelessness policies or transferring stock to the social housing sector. It is hard to see this reflected in current policy experimentation in this area.

This brings us to the third issue regarding housing and planning. But this is already a long post and that is a big issue best left to another day.

Posted by [Prof Henry G. Overman](#) on [Wednesday, February 11, 2009](#)

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