



Spatial Economics Research Centre

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The geography of recession

Conventional wisdom suggests that recessions tend to spread misery around. If this is true, we might expect the "north-south divide" to narrow over the coming months, particularly if sectors over represented in the south (financial services for example) are especially hard hit.

Is the fact that it's about to get "[grim down south](#)" likely to lead to a fundamental shift in the economic geography of the UK (as appears to be suggested by some commentators)? I'd make two points. First, this kind of discussion confuses changes with levels. A couple of quarters of negative growth will certainly be highly unpleasant for large numbers of people. A higher proportion of those directly affected may indeed live in the south. But these kind of *changes* still won't be enough to eliminate the gap in income *levels*. You would then need the working of the economy to reinforce these initial changes. But theories of economic geography tell us that it can take very large shocks to fundamentally alter existing geographical differences.

That brings me to my second point. Although there is some academic debate on this, the south was probably unusually hard hit in the early 1990s recession as well. A different shock, may be, but it reminds us that we have been here before and that the south is very capable of bouncing back from recession.

Overall, a fundamental *long run* shift in the economic geography of the UK is not impossible in response to the credit crunch but it does appear to be unlikely.

Posted by [Prof Henry G. Overman](#) on [Friday, October 24, 2008](#)

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