HW 19. The Greater Good

- Qu: The Greater Good?

- Aim: To D&E how government decisions about fracking, house building, financial market deregulation and international migration affect the regeneration process.

4A.7 UK government policy decisions play a key role in regeneration.	b. Rate and type of development (planning laws, house building targets, housing affordability, permission for 'fracking') affecting economic regeneration of both rural and urban regions. (A: Government actions may prioritise national over local needs and opinions.)
	c. UK government decisions about international migration and the deregulation of capital markets ((⍰) enabling foreign investment in prime London real estate) have significant impacts on the potential for growth and both direct and indirect investment. (P: Government may create open or closed doors policies)

Context

This **homework** will give you a set of revision notes to meet the two lines of the spec above that explore how the rate and type of development taking place affects economic regeneration of both rural and urban regions. It focuses on government decision making in the areas of fracking, new house building, financial market deregulation and international migration. These are all key policy decisions that impact national regeneration projects and the potential for growth and both direct and indirect investment.

Task

Take notes from the following slides. They are an amalgamation of the tree textbooks. I have included some Qs to think about on the next slide.

Fracking:

- What is it?
- Why is the government so keen to pursue this strategy?
- What are the environmental and social objections?
- How can national government push through fracking in areas where the local council have rejected it?

House building:

- Why is there a housing crisis in the UK?
- How is the government trying to solve it?

Deregulation:

- What are the arguments for and against the deregulation of the financial sector and the free movement of labour.

International migration:

- What impact does migration have on the labour market?
- How does migration impact UK growth?
- How may the government's immigration policy be adjusted post-Brexit?

Meeting the demand for housing

The need for extra housing is urgent, because of:

- a rapidly **rising population** – due in equal part to increasing immigration and birth rates
- an increase in the **number of households** – high divorce rates mean that more housing is needed as households divide up and become smaller
- **overseas investors** buying up property as a safe investment, especially in London and major cities, and then leaving it unoccupied
- the need for more **affordable housing** – since the 1980s, a lot of social rented housing stock has been lost through the Right to Buy scheme (see Section 5.3), leaving a shortage of suitable properties for those on low incomes.

Planning for housing needs

The government's involvement in housing supply started from the late nineteenth/early twentieth century. There have been many political twists and turns and changes in priorities since then.

- Labour-led governments have fostered social housing, and vast state social housing schemes were built from 1918 to 1940. Old-style Regional Planning Authorities were encouraged to set building

targets for local authorities in the 1990s, often controversially, because they did not deliver enough new houses.
- Conservative governments have favoured a market-led approach, with the contentious Right to Buy policy resulting in the sale of more than 2 million council homes from 1980 to 1995. The expectation that charitable or private housing associations would replace local authorities in building lower-cost homes has not happened. There is now a shortfall in supply, with long waiting lists. The 2011 Localism Act abolished Regional Planning Authorities. Post-2011 policies centre around local decisions on housing supply. This has resulted in:
  - Underinvestment (partly due to the economic downturn since 2008).
  - Shortfall of private and rented accommodation.
  - Large number of empty properties.
  - Hotspots of inflated housing areas, especially in London and the South East.
  - Planning restrictions hindering developers.
  - Social changes, especially increases in the numbers of elderly people and single households, adding pressure on the housing market.
  - Paradoxically, those on lower incomes sometimes paying proportionately more for their rented housing than wealthier home owners, so affordability is a key issue nationally.

The fracking debate

As well as in housing, the UK government also has the power to make decisions affecting development via the planning laws (normally overseen by local councils). In recent years, central government has been attracted by the perceived benefits of **fracking**, which could add to the UK's home-produced natural gas supplies and reduce the need for imported gas.

The decision to allow fracking is about improving the UK's **energy security**. However, as with housing developments, this decision also conflicts with landscapes of value, such as National Parks (see Figure 4). In December 2015, MPs voted to allow fracking companies to drill underneath these protected areas from their boundaries.

Local opposition occurs in every location where test drilling to find shale gas occurs (see Figure 5). The size of the UK's total shale gas reserves is unknown; the British Geological Survey estimated in 2012 that known reserves would not even provide a single year's supply! Although drilling is increasing, the public are more opposed to shale gas than any other energy source.

Fracking – The process of drilling down into horizontal layers of shale deep underground and then injecting a mixture of water, sand and chemicals at high pressure into the shale to fracture it and release gas trapped in the rock, which can then be brought to the surface.

Planning for fracking

The process of obtaining gas from shale rock by hydraulic fracturing is known as fracking. The government sees it as a national priority to increase secure energy supplies and economic prosperity. Exploration licences for oil and gas companies are given by the Department of Energy and Climate Change (DECC). EIAs are required, but it has caused a great uproar in many constituencies. There are many local and national anti-fracking pressure groups, for example Frack Off. From 2015 a new fast-track system was introduced to deal with licence applications. One of the first tests of the system was by Cuadrilla Resources, which was blocked from drilling by local authorities in Lancashire.

To look into this further, put your postcode into the Friends of the Earth website to see the state of play in your own 'back yard'.

Decisions to permit **hydraulic fracturing ('fracking')** are particularly controversial. Since the UK will be forced to import nearly 70 per cent of its gas by 2020, government regulations are being loosened to make it easier for local councils to win approval for fracking. The British Geological Society estimates that there are 37 million m^3 of shale gas in the north of England alone. In 2015 £300 billion (8.6 billion barrels) of oil and gas were discovered close to Gatwick Airport in Sussex. Although it might not be possible to extract any more than a fraction of the oil there, there is a national interest in investing in this energy source. Potential mining sites are often found beneath large cities, valuable farmland and national parks. Since the national parks are mainly owned by the Crown, compensation for those using the land is very unlikely. In 2011 initial drilling in Blackpool led to minor earthquakes, and fracking was suspended, but in 2012, the government lifted this moratorium. In 2015 Lancashire County Council was expected to approve a plan to start drilling in the North West but, faced with public opposition (green groups, local landowners), this plan was rejected because of the noise impact and 'adverse urbanisation effect on the landscape'.

Figure 5 *Protesting against fracking for shale gas in the UK*

Government policy on international migration

The economic argument for immigration is increased national GDP. Apart from extra taxes and production generally, well-qualified as well as lower-skilled people can fill skills shortages. Immigrants tend to be mainly younger adults and their families, making places with an ageing population structure more sustainable. Historically there have been many waves of immigration into Britain, but the pace has accelerated markedly due to the ten countries that joined the EU in 2004.

Even relatively small numbers of illegal immigrants, especially when clustered into certain places, can cause media hysteria and influence party politics and policies. Since the mid-twentieth century there have been significant changes in government immigration policies, which are simplified below:

- 1950–77: restrictive policy to limit the new and unexpected rise of immigration from New Commonwealth countries.
- 1997–2010: pro-immigration policies by the Labour administrations.
- 2010 onwards: restrictive policy by the coalition then Conservative administrations, described by Prime Minister David Cameron as 'good immigration, not mass immigration', meaning only the most 'beneficial' are allowed to stay in the UK. The aim of reducing overall net migration levels, from hundreds of thousands to tens of thousands by 2015, has proved difficult to achieve.

Policies centre on minimising opportunities for abuse and being more selective about the criteria for entry. Overseas students have been targeted by scrapping post-study work visas. Incoming extended families and 'benefit tourism' have also been reduced. From 2015 there were proposals for restricting work visas to specific skills shortages and specialisms, and a higher salary threshold before people are allowed residence.

The 2016 referendum on the UK's position in the EU may influence such trends.

By 2015 there were 117,161 refugees, pending asylum cases and stateless people in the UK – notably from Eritrea, Pakistan, Iran and Syria – just 0.24 per cent of the total population. The majority of asylum seekers do not have the right to work in the UK so must rely on state support with housing and a weekly cash payment of approximately £36 per person. They cannot choose their location; hard-to-let properties, which council tenants reject, are often used. These are often substandard homes in 'white' estates found in Liverpool, Middlesbrough and Glasgow, with resulting social issues.

Migration policy

Opening the UK's borders to migration is another major government decision that has helped the regeneration of local areas. In 2004 eight eastern European countries joined the EU, followed by two others in 2007. Many people from those countries then migrated to the UK, including Poles – now the second largest ethnic minority group in the UK after the Indian population. Although some Poles have returned home, 1.2 million have settled in the UK, giving birth to over 21,000 children in 2012 alone. Many have settled in towns like Slough and Corby and other rural market towns and small cities. These towns have become some of the fastest-growing parts of the UK.

Corby was previously a town with an ageing population and an increasingly poorly skilled workforce with few opportunities. East European entrepreneurs have since 2006 set up many businesses there, including restaurants, bakeries, construction firms, building design firms and marketing agencies. Property crime and antisocial behaviour in Corby have halved since 2006, clear indicators of the success of the much-needed regeneration of the town.

Deregulation – what's that then?

A minor – but significant – news story was broadcast early in 1986. It was that the UK's financial sector was to be deregulated. Margaret Thatcher's Conservative government made this decision, which resulted in a new era of prosperity for the UK's financial sector – and transformed London into a major World city (see Section 5.3).

Deregulation involved the following changes:

- Instead of the London Stock Exchange having a monopoly on all share dealings, any bank, financial adviser – or even individuals – could trade in shares. It opened up the freedom of individuals to invest.
- Barriers stopping overseas banks and other financial institutions from setting up offices in London were also removed. Until then, only UK banks could trade there.

Deregulation allowed foreign investors to invest in the UK without seeking UK government approval. The results transformed the UK's economy to the extent that banking, finance and business services now account for 30% of the UK's GDP (compared to just 15.5% in 1986). The London Docklands regeneration (see Section 5.3) also created space for these expanding financial institutions to set up large offices in Canary Wharf.

Similar government decision-making occurred when the UK joined the European single market in 1992 (allowing free movement of labour within the EU). The UK's membership allows people seeking work from other member countries to enter the UK (and vice versa). This movement of people also helps to balance the UK's ageing population through increased taxation revenue. Although immigration is controversial for some, there is no doubt that economic growth can only come from expansion and an available labour market.

Government policy on the deregulation of capital markets

Capital markets are based on dealing in shares, bonds and other long-term investments, so any government involvement may have significant impacts on the potential for national and local growth. After decades of tight restriction on banking and capital markets following the depression in the 1920s, in 1986 the Conservatives began the process of deregulating financial markets by introducing a policy known as the 'Big Bang'. This was to encourage more investment as London was becoming uncompetitive and losing business to other financial centres; it also coincided with the rise of electronic trading.

Ending the Stock Exchange's monopoly and removing entry barriers encouraged European and US banks to open in London, resulting in banking, finance and business services creating almost 30 per cent of the UK's GDP by 2008, double that of 1986. The skyscrapers of London's Canary Wharf are the visible image of this new investment and prosperity.

The policy of deregulation was added to by subsequent Labour governments, but these 'light touch' regulations on banks are partly blamed for the 2008 financial crisis, subsequent low economic growth and austerity measures. In the UK, the government has increased monitoring and regulation through the Financial Services Act of 2012. This strengthened the role of the Bank of England, critical in maintaining the stability of financial institutions and markets through its use of the lender-of-last-resort function and regulatory committees. It also set up the Financial Conduct Authority.

International deregulation

The deregulation of capital markets since the 1970s has made it much easier for companies to locate to the UK and for foreign companies to invest in the UK's infrastructure. The UK's common law legal system, where cases are decided on the basis of previous judicial outcomes, also encourages companies to trade in London; the London Stock Exchange is one of the largest in the world. The City of London has lawyers, accountants and consultants of every description, creating an overall industry worth £95 billion. Although financial regulation is now tighter, making it harder for banks to make risky business investments, when some banks like HSBC threatened to leave London for Asia, the government decided in 2015 to halve a proposed banking levy. Some of this wealth has created regeneration in the former docklands area of east London, which has been developed as a financial centre (see Figure 5.23).