

[Why provide your own answers if you're then going to ignore them?](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 12 May 2013

I'm afraid that this little piece from The Independent did make [me smile](#) [3]:

It leads to two broad questions. Why is it happening? And what might be done about it? On the first, we can see some obvious points. A globalising world economy needs an English-speaking hub in this time zone. So London has become a magnet for wealth and talent, reinforcing its hub status. More people fly into its airports than into any other place on earth. There are more non-national professionals living in the commuter region than any other, more international phone calls, more cross-border money managed ? the litany goes on.

Recently its status, or at least its property, has been bolstered by the UK's role as a 'safe haven' for eurozone money seeking a home, and its young people seeking a job. But to say all that is more to observe what is happening than to explain why. You can say that success breeds success, that we are in a winner-take-all world, and London currently has critical mass in that amorphous mix of money, style, creativity, intellect, whatever.

But things did not look like that 40 years ago when its population was falling and it seemed locked into inexorable, if gradual, decline. If it is hard to identify the reasons behind the success, it becomes impossible to replicate them elsewhere.

Eh? If you've already correctly identified the reason for what is happening then why ignore your own answer later?

Yes, London is indeed booming as one of the Great Cities of the current round of globalisation. Very much as it did from 1880 to 1914 in fact in the last round. And in very much the same industries too: banking, finance, law, shipping.

As to why it was different 40 years ago, well, 40 years ago we didn't have the current round of globalisation. There was most certainly no free movement of capital, currencies were restricted, international trade was a great deal lower than it is. Which is why London wasn't booming 40 years ago: because the great strengths of the economy of the place, that international finance, banking, law and shipping, just weren't being used as they are now.

This really is just straight David Ricardo: the employment of comparative advantage. One way of thinking about globalisation is that it is simply the international division and specialisation of labour. As Adam Smith pointed out, such division and specialisation being something that creates wealth. For all who take part in it please note. As it happens, what we in London seem to do well (and do again note that we've specialised in these things twice, both times there have been bursts of globalisation, just as Germany has done heavy industry and machine tools both times) is that banking, finance and law stuff.

Quite why is something that people can and will continue to argue about. I'm sure language has something

to do with it. There could well be some vestigial hangover of Empire. My own feeling is that it depends, at root, upon the Common Law. With many fewer restrictions than in other places you can write a contract in English law that states pretty much whatever you want. Sure, there are limitations, but many fewer than in many to most other jurisdictions. England (or more formally, England and Wales) thus offers the flexibility of agreements that the fast moving world of business desires and requires. Thus everyone doing their business in a place that offers exactly these attributes.

Now, I might well be wrong about the why here but that's OK. Wouldn't be the first time (and certainly won't be the last) that I am wrong. But the basic observation about London still is just too obvious for words. So obvious indeed that the Independent entirely misses it. London has boomed over the past 40 years because of globalisation. It's part of that global economy in a manner which the rest of England (or Britain) simply isn't. Before globalisation London was shrinking and failing: with it it's booming.

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