

[Common Error No. 89](#) [1]

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89. "Regional aid is necessary to bring jobs to depressed areas."

This notion assumes that the present distribution of population and industry is the optimum, and that we should stop it changing. It further assumes that government can move factories and jobs about like pieces on a chessboard. Neither assumption is valid.

The patterns of population and economic activity are constantly changing. Some new product or process can create a localized boom, and changes in fashion and habits can diminish once thriving industries. Towns once famous for hats, gloves and cigarettes have seen those industries shrink, along with the jobs they sustained.

A similar outlook early into our industrial revolution might have sent regional aid to keep people on farms. Our economic development involved a change from an agricultural economy to one featuring various types of industry. People moved and the economy prospered.

Our economy has changed recently from one dominated by manufacturing into one with a much larger service sector. Governments have tried to move jobs to where people are, rather than helping people to move to where the jobs are. There are barriers to mobility of both jobs and people, barriers which include housing shortages and an insistence on uniform national wage rates.

Regional aid makes some areas more attractive by selectively lowering costs. Grants for new equipment, lower rates, tax holidays and the like, all try to tempt firms to where they would otherwise not have gone. They attract marginal firms, unviable without their help, and easily moved. When the subsidies end, we still find uneconomic firms in depressed areas, while those easily moved go off to where production costs are lower.

We should let depressed areas trade on their lower costs, including wages, and if there are economic changes, we should concentrate on mitigating their social costs, rather than trying to prevent them.

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