

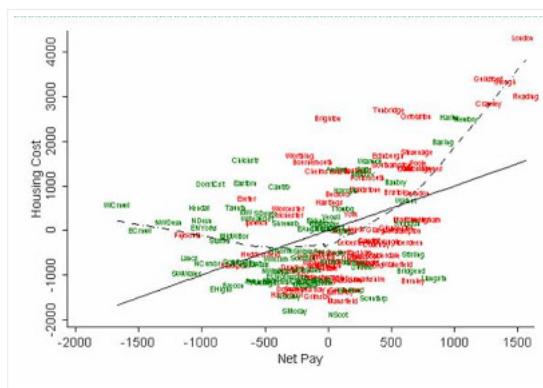


Thursday, 25 July 2013

## Urban versus rural living

In my post yesterday I talked about the reasons why simplistic comparisons of rural and urban living lead to concepts of a 'rural penalty' that are misleading. Here's a slightly more meaningful thought experiment to get at the differences between rural and urban living. Imagine yourself moving across different areas in Britain. In each area you'll live in roughly the same type of house (number of bedrooms etc) and you'll get paid the wages consistent with your experience, education etc. If you are going to stay living in areas where house prices are high relative to income, you better be getting compensated by some nice local amenities (e.g. pretty countryside, lower crime, etc). If you are going to stay living in areas which aren't very nice (e.g. polluted, run down, etc) you better be compensated by house prices that are low relative to incomes. In other words, the gap between house price and incomes provides important information on the amenities offered by different locations.

Here's what that gap looks like across different areas of Britain (taken from a 2011 SERC DP). I've coloured the rural areas in green and the urban areas in red:



What you can see from this is that it makes no sense to talk about 'a rural penalty'. There are a group of rural places that are high housing cost, low pay but these are places we would associate with good amenities (e.g. West Cornwall). There are a group of urban and rural places (in the middle of the picture, below the 45 degree line) that offer higher incomes given the cost of housing. These places generally offer lower amenities (e.g. they are very remote or are old industrial towns). Finally, to the right of the picture there are another group of (mostly urban) places where incomes are high, but housing costs are even higher. These places must offer some kind of amenities (e.g. good restaurants, easy access to good jobs and schools) to offset these lower real wages. If they didn't, why would so many people live there?

The dashed line summarises the trade-off that we face in Britain as we move from low to high wage places. We can have high amenities, expensive houses and low income. We can have poorer amenities, cheaper houses and higher incomes. Or we can have high amenities, the highest incomes but the most expensive houses. Take your pick.

Posted by [Prof Henry G. Overman](#) on [Thursday, July 25, 2013](#)[G+1](#) +2 Recommend this on Google

### 1 comment:

Anonymous said...

Brighton. High housing cost, not terribly high pay. If income data is spatially constrained to the town, not helpful - a lot of people work in London.

11 September 2013 at 13:46

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