

## Economics and Spatial Planning

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Spatial planning is a policy tool to influence the future organisation of a society and its activities. On a societal or collective level, it aims to improve conditions, create resilience, and balance any displacement brought about by development or activities undertaken within a specified area. The Auckland region is preparing for an imminent new spatial plan, as outlined in the Local Government (Auckland Council) Act 2009. Arguably, district plans under the Resource Management Act are spatial, detailing land use and zoning activities, as is the Regional Growth Strategy (1999) and accompanying metropolitan urban limit. The purpose of the new spatial plan is more ambitious and is integrative in nature. Its stated purpose is 'to contribute to Auckland's social, economic, environmental and cultural well-being through a comprehensive and effective long-term strategy for Auckland's growth and development'. So what are the implications for businesses and economy? This article explores some tension that exists in timeframes: between the immediacy of decision-taking required in individual businesses versus the longer timeframes embodied in a local government spatial plan. Analogies from the physics discipline are used – in particular Einstein's space-time - as a lens to focus the current approach to spatial planning in Auckland.

Much of the work currently undertaken within Auckland's local government is directed at succession to the (new) Auckland Council on the 1st November 2010. The current seven territorial authorities (Rodney District Council, North Shore City Council, Auckland City Council, Waitakere City Council, Manukau City Council, Papakura District Council and Franklin District Council) and one regional council (Auckland Regional Council) will be dissolved, with functions transferring to the Auckland Council and accompanying council controlled organisations. The complexity of reviewing and synthesising the functions and operations of all council organisations, trusts and assets owned by the current councils alongside the integration of new structures is no mean feat. The Auckland region is in a process of integrating core local government functions across different localities alongside the introduction of new processes. Of central importance for businesses is the role of planning agent that the Council undertakes. Rules surrounding the location of businesses are determined and enacted by the Council. A new departure in the legislation is emerging, with the introduction of a Spatial Plan.

The Royal Commission on Auckland's governance explored the current hierarchy of statutory planning instruments, from national to local. They defined the problem with the planning framework in terms of its complexity, tension between consistency and diversity, and challenges associated with integrated growth management. Overall the problems of the current planning framework are<sup>1</sup>:

- An inability to make big decisions
- An inability to implement and deliver on plans
- Difficulty in achieving integration

The drafting of a new spatial plan presents an opportunity to integrate the planning process to include the four well-beings - economic, social, cultural, environmental- which was not achievable in Auckland to date, given the weak legal relationship between the Regional Growth Strategy and other statutory plans (District plans, Resource Management Act, Regional Policy Statement). The integrative function of a spatial plan relies on recognising inter-linkages and co-dependencies in societal organisation within a defined space, and developing a rational territorial approach to land use. Spatial planning comprises measures to coordinate and improve the spatial impacts of other sectoral policies so as to achieve a

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<sup>1</sup>[http://www.royalcommission.govt.nz/rccms.nsf/0/0C090EEC64441E90CC25758600069806/\\$FILE/AGV1.pdf?open](http://www.royalcommission.govt.nz/rccms.nsf/0/0C090EEC64441E90CC25758600069806/$FILE/AGV1.pdf?open) Chapter 24

more effective and even distribution of economic development within a given territory than would otherwise be created by market forces.

This tension between spatial planning and economic market forces is interesting. The conjunction of the terms 'economics' with 'planning' in the title of an article immediately sets off alarm bells of two antagonistic concepts in collision. Just as the physics discipline found itself in a crisis at the beginning of the twentieth century – with two perfectly valid but incompatible theories (Newtonian mechanics and electromagnetism) – so the economic discipline still grapples with free market versus government intervention in the economy at the beginning of the twenty-first century. The solution found in quantum physics, advanced by Einstein, was the integration of the two conflicting theories, and the new concept of space-time. Certain parallels can be drawn with the problem in economics, and perhaps spatial planning is the solution to the space-time problem in economics.

Within economic thinking, the concept of space-time is useful for articulating our economic models and theory. A clear chasm in economic theory emerges between conceptualising financial markets and the 'real economy'. The term 'real economy' describes the tangible consumption/production of goods and services. It is a relatively simple task to delineate the location of this production and consumption – to find a physical 'place' associated with it. Financial markets on the other hand are less tangible, the circuit of trade visible in the transactions of banks, brokers and stock markets. As much of the trade is based on future production and expected profits, the outcomes of these transactions are not necessarily place specific. Capital moves to places and sectors of greatest return. There is an element of spending choice embodied in monetary creation.<sup>2</sup> The function of money itself is to allow purchasing or consumption in a place and time of the owner's choosing. From this perspective, financial markets are aspatial. Our current economic system is characterised by a place-based production/consumption system and a footloose monetary system. Both operate in tandem with one another – *space* being all important for consumption/production and *time* characterising financial markets.

In essence, theories within the real economy and financial markets provide two separate models for differentiating between space and time. Both offer a particular lens to understand elements of the economy, but are not fully integrated. The movement toward a spatial plan in the Auckland Council offers an opportunity to integrate these differing theories on space and time.

Einstein's space and time continuum is relevant to the economic discipline. Although not equating government intervention with theories of financial markets, they share a temporal component in common. Government intervention provides temporal constraints on the trajectory the economy takes. Every country, with rules and planning legislation, shapes economic outcomes to some extent, whether intended or unintended. Rules become institutionalised, setting boundaries on activity and, in some cases, limiting permitted business activities. These affect business models and activity undertaken at a particular point in time. They may delay activity, although as the debate in recent months on mining in areas designated for conservation showed, rules are changeable. Markets are the most efficient mechanism of coordinating the exchange of goods and services between millions of strangers, yet unintended societal outcomes can result.<sup>3</sup> The invisible hand of the market can have surprise (unforeseen) consequences long after the market exchange has taken place. Hence the role of government in shaping outcomes, but the extent to which government should plan the economy is contested. Twentieth century economic historians

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<sup>2</sup> The 1921 Nobel Prize winning chemist Frederick Soddy concluded the function of money as being to allow the delay of consumption of real wealth to a place and time of the money holder's choosing – implying an inter-temporal choice in a place to be decided.

<sup>3</sup> Ostrom, E. (1990) *Governing the Commons: The evolution of institutions for collective action*.

explored the failures of political regimes in various countries in this regard.<sup>4</sup> A persistent tension pervades the concepts/actions of planning and the more neo-liberal forces of market led development.<sup>5</sup>

The introduction of the spatial plan as part of the Local Government (Auckland Council) Act 2009 is prompting interesting debate and discussion within the Auckland region. With change comes opportunity, and the Auckland Council can improve outcomes for Auckland through smart use of a spatial plan. Perhaps the spatial plan can be seen as Auckland's big Hadron Collider experimentation. As Einstein found out, space time is curved. It is not a straight trajectory. In policy speak this can be translated that spatial planning is not straightforward.

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Opinions expressed in this article are those of the author, not the ARC.**

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<sup>4</sup> Hobsbawm, E. (1994) *The Age of Extremes*.

<sup>5</sup> Kelsey, J. (1995) *The New Zealand experiment. A world model for structural adjustment*. Auckland University Press