4A.7c: 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.

International policies

The government can also pursue policies at an international level that have a direct bearing on regeneration. For example:

- deregulating capital markets to encourage foreign and private investment in regeneration schemes
- immigration: there is a tension here between the job-generating focus of regeneration and the availability of immigrant workers.

Deregulation – what's that?

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 4.6).

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 22% 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 (see Figure 6).

Similar government influence in the economy occurred when the UK's membership of the EU allowed free movement of (mainly young, well-qualified) labour from the EU to work in the UK, and vice-versa. It helped to balance the UK's ageing population through increased taxation revenue. Now that the UK has left the EU, many companies are struggling to grow without such a labour market.