

letter from the editor

One of the delights of being editor of *Land&Liberty* is that I get a lot of spam in my editor's mail box. These are offers ranging from training courses, tax avoidance, self-publishing, insurance, debt resolution, and hair restoration.

But there is one kind of spam which is instructive as well as amusing. Some spammers appear to think we are a magazine for land speculators and so they send me all kinds of investment opportunities. Most of these are for luxury housing projects, with generous guaranteed returns. Few are for any real wealth production.

More recently, however, there has emerged a new market in land speculation: investment in student accommodation. The really big projects have been in Manchester and Liverpool. Starting at £1,000 you can invest in a single room student apartment and get a guaranteed annual return on your investment of at least 6%, with the prospect of it increasing as student rents rise each year.

Those of us who protested when grants were replaced by loans in the 90s had no idea that students would be running up debts of £30,000 to £50,000, which few will ever be in a position to pay off. But it would never have occurred to us that student loans would become a major source of land speculation. Initially, when student numbers suddenly increased, the universities hurriedly built extra accommodation. This seemed reasonable, and if they made any surplus it could be invested in the university and the students themselves. But in practice, they kept the cost of accommodation low, and it was usually far better than off-campus accommodation.

This shows two things that are amiss in our modern society. The harm caused by land speculation is obvious and hardly needs to be pointed out here. What is less obvious, but more concerning, is that it is now distorting our obligations to educate successive generations. It is a natural duty of a community to fund the education of its children. That they should fund their own higher education runs counter to how nature is ordered. All higher species nurture their offspring until they can be independent, and their repayment, if we could call it that, lies in nurturing their own offspring in turn. Nature orders itself towards the future good and places no debts on either the past or the future. Nor does it regard the provision of each new generation as a 'cost' but simply as the natural cycle of giving, receiving and returning.

But, counter to this law of nature, our modern economy has come to see the future as a means of exploitation rather than as natural growth and flourishing. Consequently, not only are students obliged to pay for their own higher education, while it is the duty of society to do so, but they have also become a further means of land speculation. The student's preparation for the life ahead has become a new way of obtaining unearned income for those who contribute nothing to the economy, the general good, or to the future. On the contrary, they steal from the future, because nature does not replenish itself *from* the future, but *for* the future.

So the principle of land speculation, which takes from expected future wealth, has now been applied to education. If, as is widely recognised, most students will never be able to repay their loans, who then will pay them? Obviously it will fall on general taxation. This means, insofar as the loans covered accommodation, that general taxation will pay the land speculator their guaranteed minimum of 6% profit each year.

This is not 'investment' in any true sense. Genuine investment produces new wealth which makes a return after it has been produced. You cannot build a shirt factory and demand a return before any shirts are made. But you can do that by speculating on student accommodation where the return is from debt, not from production.

The irony is that, in the case of students loans, both for their courses and for their accommodation, general taxation will pay in the end anyway, which is what it ought to do, but without the land speculator being subsidised in the process. It would cost less to follow the law of nature and fund education entirely from general taxation, leaving students without any debts and therefore free to begin to contribute to the economy.

According to Joseph Stiglitz in his *The Great Divide*, student debt in America will lead to the next crash like the one fuelled by mortgages in 2008. The effect of student debt is to slow down the economy. It means graduates will not buy new homes or start families while paying off their debts. As Stiglitz says, "It's a vicious cycle: lack of demand for housing contributes to a lack of jobs, which contributes to weak household formation, which contributes to lack of demand for housing". It is, Stiglitz points out, a major cause of the present growing inequality. "Student debt has become an integral part of American inequality. Robust higher education, with healthy public support, was once the linchpin in a system that promised opportunity for dedicated students of any means."

Two lessons spring from this. First, that the private arrogation of the land value misappropriates potential future wealth; second, that student loans reverse the proper order of nature, which *provides* for the future rather than taking from it. In either case, general taxation ultimately bears the costs, turning both into means of acquiring unearned income. It is therefore significant that when the natural duty of the community to educate the next generation is forgotten or evaded, it not only opens the door to exploitation through land speculation, it also puts a higher cost on general taxation. Natural economic laws cannot be broken without harmful consequences.



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