

letter from the editor

While it is vitally important to study the principles of economics and understand how wealth is created, it is also worthwhile learning to see these principles in action in one's local community. Nothing gives one a clearer insight into the land question than seeing the changes that take place locally.

In Kent we see some towns declining while others are prospering. This is directly reflected in rents. People are remarking that our high streets are in decline. Many shops stand empty, while others are becoming charity shops or betting shops. The town centres are ceasing to be places of local commerce or community.

But as one town goes into decline, another begins to prosper. For example Ashford is on the rise, as shown in a report commissioned by Ashford Council. Summarising the report, they say:

Over the last year or so, the Ashford property market has performed well, with prime office rents rising by 11% over the last 12 months, compared with only 4% across Kent as a whole, making Ashford more attractive to property investors of which there have been no shortage.

Prime industrial rents have grown 38% over the last five years compared with only 24% in Kent. Over the same period, residential values in the town centre have increased by almost 26%.

Town centres are having a difficult time everywhere, yet retail rents have risen 11% over the last year in Ashford compared with a drop of 3% across Kent as a whole.

No doubt Ashford Council have been encouraging enterprise and credit is due to them. Yet it is revealing how they express this in terms of rising rents. Clearly, if rents can rise, then there must be increased prosperity to support such rises. The land value in Ashford must be rising, thus "making Ashford more attractive to property investors".

These property investors have been attracted by "prime office rents rising by 11% over the last 12 months" and by the way "Prime industrial rents have grown 38% over the last five years". This is reflected also in how "residential values in the town centre have increased by almost 26%".

Yet we must ask how these 'property investors' have contributed to this rising prosperity of Ashford since they are only deriving rents from the actual wealth produced in these 'property investments'. For while the rising rents indicate increase in wealth production, the rents themselves are only preying on that increased production. The rents do not *contribute* to the wealth of Ashford. They extract from it.

Now if these rises in land value went to Ashford Council in the form of a local land tax, then Ashford Council would have funds to invest in the development of the town itself. There would be no need for outside investors who absorb in rent the increase in land value, presumably removing it from Ashford. Further, if residential values have increased by almost 26%, then this amount must come out of any rise in local wages. We may then ask, how far have *real incomes* increased in Ashford through this increased property development? If Ashford reflects the trend throughout the UK, then housing costs as a *proportion* of family income are increasing. Currently in England rents average 35% of income, as opposed to 20% sixty years ago.

This means that rents and mortgages are absorbing any real growth in wealth production. There will come a point when rents and property values will stifle any increase in productive activity. Then decline will set in. We are already witnessing this in prime sites in London, in Oxford Street for example, where major retailers are pulling out because of rising rents.

So while Ashford Council is right to analyse the local economy in terms of rent increases, which do indeed reflect increased productive activity, showing that there is no difficulty in assessing land values, their analysis also shows how land speculation is the true winner in Ashford. The local community itself will enjoy only a small proportion of the benefit.

Which brings us back to the high streets in decline, with their betting shops and charity shops. Why are betting shops to be found in poorer districts? They are themselves a sign of decline. But what of the charity shops? By a curious twist of the natural economy, these have proven to be of communal benefit. They not only serve charities and those who buy from them, they offer opportunities for voluntary work which gives young people skills they can then take to employers. Older people also gain in health through such voluntary work. Fortunately charity shops get exemption from corporation tax and VAT on donated goods. They represent a form of economy in which everyone gains and nobody loses – a kind of rudimentary gift economy.

So, while much may be learned from economic theory, and few things would be more beneficial to our society than if most people understood the basic principles of economics, the fundamental question of our relation to the land may be observed directly in one's own town. It is the economy made visible. That, after all, is how Henry George suddenly saw the cause of poverty amidst great wealth.



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