



One of the effects of the welfare cuts that start today has so far received little attention - their effect on local economies in depressed areas. By removing purchasing power from local economies, the cuts will make matters worse. Workers - especially in retailing - are going to lose their jobs as welfare recipients cut back. The cuts are meant to encourage work instead of living on benefit, but in reality they will do just the opposite. Either the jobs are not there - or the reward for the work provides only enough for an Eastern European standard of living - and higher profits for the employer - and eventually for the landowner who will suck them up in the rent.

We are not in favour of the welfare lifestyle, but a crude programme of benefit cuts is not going to help. It would take something like substantial tax cuts in depressed areas to turn things round, combined with measures to discourage property owners from leaving commercial premises vacant whilst holding out for unrealistically high rents. We would note only that land value tax does both at one at the same time, creating tax havens precisely where they are most needed and discouraging property owners from asking rents that are above market-clearing levels.

[This FT report examines the issue in more detail.](#)