

# AN ADDRESS TO YOUNG PEOPLE SETTING OUT ON LIFE

From Tommas Graves, March 2021

The first thing I should say to you is, "Have you equipped yourself with a skill?" The reason why this is so important is that it gets you away from the lowest paid sector of society. The minimum wage is £8.91 per hour. With a skill, your wages will rise to £18 per hour, maybe more. The government has promised to raise the minimum to £10.50, but no one knows how much of this will go into increasing rents.

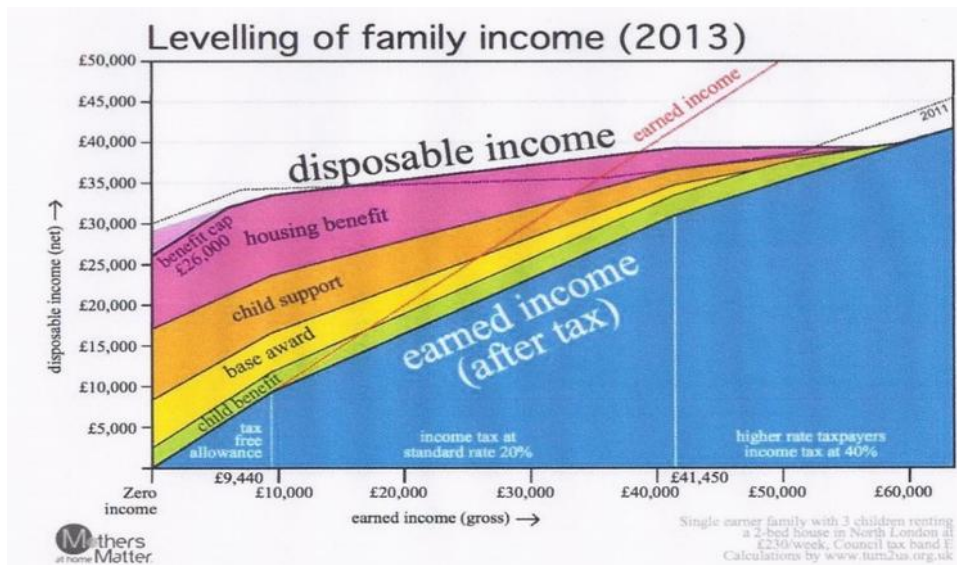


But it is clear that the lowest wage is not sufficient to live on. You would be relying on social assistance, government handouts etc.

The added value per person in the UK is shown as £29,356 a year by ONS tables. That is an estimate of the value of a person's contribution to the country. The person on minimum wage receives gross pay of £16,350 of this. But then, tax is deducted. Taxes direct and indirect reduce this to £9,818. This is the share of the added value created which is left to them.

So, the person on minimum wage has £188 per week. Average rents for a small home are quoted at £200 per week. To buy with a mortgage is £170 per week, or to have a local authority home is £110 per week. This leaves precious little for food and clothing, and the person cannot exist without help from the State, which of course is paid for by the taxes paid.

So, it appears that we create poverty on purpose! The question is, "Why do we do it like that?" How do we get out of this fix? At present we do it by a system of benefits. A representation of these is given below. Strangely enough the result is very close to their contribution to added value!



*This diagram prepared by 'Mothers at Home Matter' shows that a family need a gross income of £40,000 to live on. All the benefits available very roughly bring income up to that level. Indirect taxes are not taken into account here.*

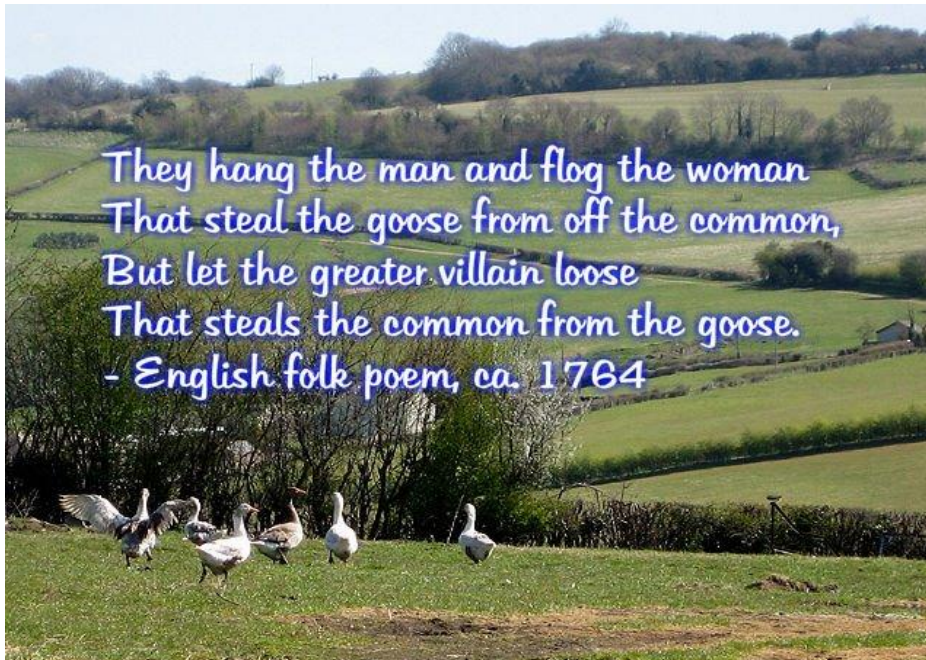
### **Why are the lowest wages insufficient?**

There is a long history to this. Since the Elizabethan age, the aristocracy set about enclosing the land. This was justified they said, by the need to produce more food using better farming methods. But the downside was that the landowners now owned the food, and laborers had to buy it from them.

The enclosure movement continued apace. It was regulated by government but heavily in favour of landlords, who also were the government themselves. Means of dissent were closed off, by such things as demanding solicitors' representation, and the requirement to fence any land retained. Often, they had no option but to sell to the nearest large landowner, because they had no funds for such expense.

By about 1830, the aristocrats had enclosed most of the land area. Full land enclosure meant that the landlords were in a position to dictate wages. They set it at "just enough" to live on, in order to be able to carry on labouring.

If you want to look into this, a good source is two books written by J L Hammond and Barbara Hammond "The Village Labourer 1760 to 1832" and "The Town Labourer 1760 to 1832" ISBN0-86299-345-8 and 0-7509-0966-8.



### **Why does all this matter today?**

In the first place, nothing has changed. No government has attempted to right the original wrong. But now we need an excursion into economics. By their action the landlords captured “location value” and some of the wages as well.

The rent you pay is made up of two parts. The first part is the hire charge for the property being let. This effectively diminishes over the years until the house is demolished. The second part is the location value. That is the value of all the amenities surrounding the plot; roads, railways, sewers, services, nearness to a city or other desirable factors, all such things. The main feature of these amenities is that they have been supplied over the past by government action or initiatives by groups of people. You can ask yourself three questions. 1. What is location value? 2. Who created it? 3. To whom does it belong? By natural law you can only arrive at the conclusion that it rightly belongs to the community which created it. But the landlords captured it!

The mechanics of capture is to charge that part of rent which is called location value. The landlords are able to do this because of full land enclosure. There is no alternative!

Land is given to us free by nature, just as is air and water. Consider this. By its nature land is provided free to all, humans, animals, plants and all. In truth it does not belong to landlords.



But because they have captured it, it has a value that can be bought and sold. This becomes the value of land. Because of this, no-one on the minimum wage has a hope of owning a house to live in. Here is the cause of the housing crisis.

The landlords also captured some of the earnings of the people they employed. But what should a wage be? Is it just a matter of negotiation? Henry George, writing in the 1870s, produced a best-selling book, "Progress and Poverty". He introduced it with the words, "To those who seeing the vice and misery that spring from the unequal distribution of wealth and privilege feel the possibility of a higher social state, and would strive for its attainment."



He came to the conclusion that the only natural law applicable to wages is, "What a man makes is his". Think about that.

The corollary is that what a man does not make is not "his". Here is the whole natural world, and especially land. But as he has captured location value by enclosing all the land, he can also capture part of wages, especially from those in the lowest tier.

"Progress and Poverty" is well worth careful study.

### **What happened next?**

The government of the day introduced taxation. The first Income Tax was brought in by William Pitt the Younger to finance the Napoleonic Wars. As time

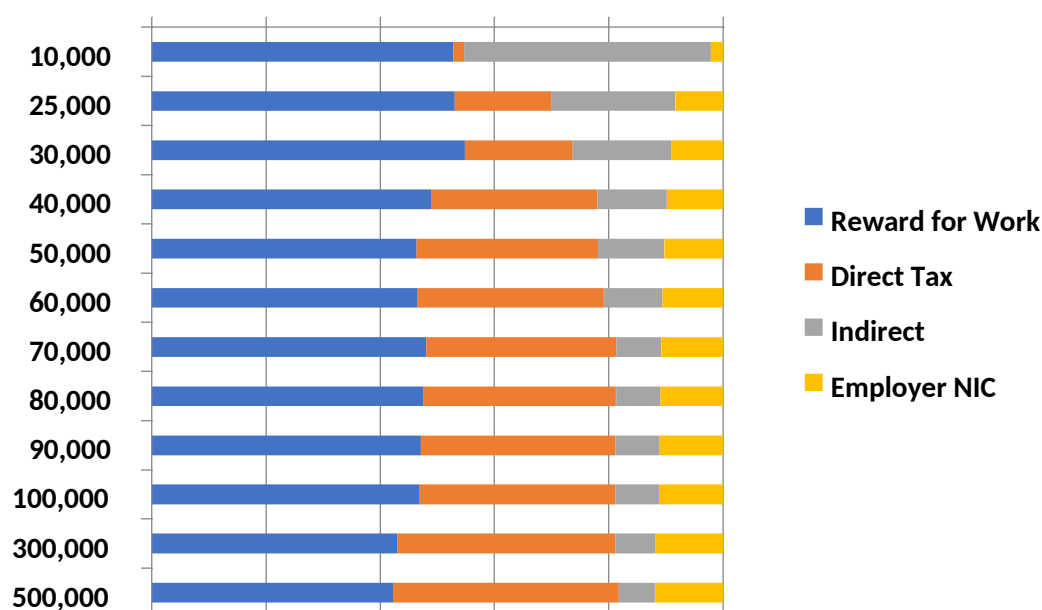
went on, it became clear that measures had to be undertaken to protect the lowest paid and this was the beginning of the welfare state.

But then, a very interesting phenomenon developed. If wages had been forced so low, how were the poor to pay taxes? The result was that rent was reduced by the amount of taxes applied to wages. Nowadays, rent received by landlords is much lower than it was at first, but in the mean-time the landlords have amassed a huge store of wealth, which they invest in bonds, shares, land and other assets. Much of it is lent to government via bond auctions. So, the capture of location value and part of wages led in the first place to massive inequality, then a debt mountain.

When disasters have to be faced, such as war, or pandemics, the wealth is no longer in the whole population, but in a few pockets protected by “ownership”. The government has no choice but to borrow these locked up funds, and the lenders want a reward for that which may be interest, profits, or speculators profits. So, we have accumulated a huge debt over the years.

### Do we know how much tax we pay?

We probably have no idea! Although direct taxes are fairly easy to see, there are a large number of indirect taxes. Here is a chart which shows the rough effect of both direct and indirect taxes.



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*For the given wage on the left, the blue is what is left after the taxes in orange, grey and yellow. As you can see, for the lower paid, indirect taxes take the largest share of their wage. This is mainly VAT. The total taxes amount to approximately half of all*

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To my way of thinking the two captures of location value and part of the reward for work were two massive acts of stealing. After nearly two centuries it still continues. As a result, we face inequality, a housing crisis, poverty and a debt mountain. These punishments are unfortunately not suffered by the perpetrators, but by the lowest paid.

### **Can anything be done about it?**

The problem is enormous. With the expansion of trade and colonialism, the same system appeared all over the world mostly with no conception of the likely results. Some whole countries became owned by a few families. These families became wealthy and powerful. It is true that some introduced land value taxes, following the message from Henry George. But it was always insufficient to meet the main problem. No-one was prepared to simply put right the original wrong.

### **Is there a solution?**

What we should do is that land should be held on secure tenure, not amounting to ownership. The user has the right to use it subject to paying the community the location value of that site. The location value is the natural recompense to the society, which together has provided all the benefits of a site. Society then does not need taxation.

The result would be that no-one would hold land they did not need. This would produce freedom for the vast number of those, able to work. We would have the option of setting up by ourselves, where we could receive the whole value of our efforts. Businesses would be bidding up the wages for working for them. Partnerships and common ownership arrangements would flourish.

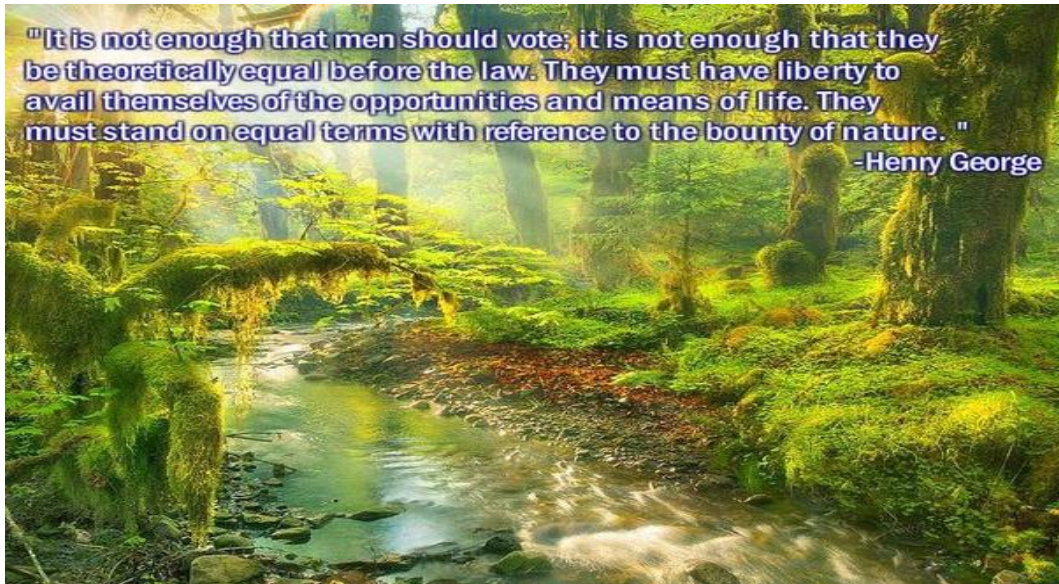
The price of land would reduce to nil, as the rents which sustained it were exchanged for the payment of location value to the state. A house could then be bought for the building costs alone. The non-payment of rents would bring inequality gently to a close. Then, inequality would only result from extra work or talent. Every improvement of facilities would bring a natural reward in higher location values.

### **Conclusion.**

I hope I have said enough to convince you to obtain a skill to keep you away from the lowest level of wages. If you have also picked up some crusading zeal

and might put it into practice, I am delighted. All that is needed is a conscience and some knowledge. I give below the names of some of the societies and crusading groups who still continue to spread the ideas for reform.

**Best of Luck!**



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<http://libdemsalter.org.uk>

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