



Student Debt Bomb and The Real Economy

A healthy society naturally seeks to ensure that its young people are provided with the best possible start to their working lives - it does not burden them with debt! That debt has become accepted as normal and unavoidable is a tragic indictment of the state of moral, social and economic thinking in Britain today.

In times past the word 'debt' was synonymous with 'sin' and implied an offence against divine law requiring atonement. It was commonly associated with the funding of warfare, gambling, excess and vice by the rich and desperation by the poor - it was generally shameful. Today it has become the basis of the world's money supply whilst national and corporate debt and the mortgages needed to fund our so called, 'property owning democracy', have made debt so common that it has come to be accepted as a necessary evil and is regarded as entirely respectable. It has become impersonal as large corporations

rather than individuals are the usual creditors and the availability of collateral has become more important than the character and abilities of the debtor. Debt involves power and privilege for some and a liability that binds and limits the freedom of others. It is not a healthy human condition and explains why Jesus taught 'forgive us our debts as we forgive our debtors'. Mathew 6.12

The current debate over the payment of tuition fees is a red herring. When students are asked to pay their tutor's salaries via a loan it merely obscures the reality that the national government must still pay them. Since government expenditure consistently exceeds its tax revenue they must be paid from government borrowing - adding to the ever increasing national debt that is



being bequeathed to future generations. The real issue is thus the failure of successive governments to manage the collection of public revenue.

Today, as in the past, the systems of taxation employed in the UK and throughout the world, are unjust, inefficient, and ineffective. They discourage wealth creation, positive economic activity, and employment, and prevent people and nations from realising their full potential. They involve theft, they encourage dishonesty, and they fail! These are clearly serious assertions but it takes little examination of the main taxes that are today levied on employment, trade, production, enterprise and capital to appreciate their validity. Most debate revolves around the

relative badness of each tax; as recently over the government's VAT increase compared with the opposition's preference for an increase in National Insurance contributions i.e. tax employment not trade. The truth is that they

are all bad and unnecessary! They all take from individuals and groups value that they earn and fail to collect for the community value that the community itself produces.

The abilities that young people acquire, even in higher education, will not enable them to earn a living unless they can use them somewhere and somehow. Labour, including all human enterprise and ability is required to initiate and maintain all economic activity but it needs land or location and the assistance of capital to be productive. Being inanimate neither land nor capital can initiate the production of wealth but whereas the market may influence the amount of capital in existence the amount of land provided by nature is fixed. Whilst the value of both land and capital are determined by normal supply and demand considerations there is a significant difference between the forces that are operating. The supply of capital involves production costs; land does not. The supply of useable land is determined politically by the community.

If, as is conventional, we consider the wages and interest that the providers of labour and capital receive to be their 'earnings' and the value that they must pay for the use of land is called 'rent' we may see how a primary division of the wealth produced within an economy arises between earnings and rent. Each supplier of labour and capital naturally seeks the best location available upon which to work and market competition sets the location rent at the most they are willing and able to pay leaving their earnings, after tax, at the least they are willing to accept. If their tax burden reduces they are able to pay more in rent to use the best locations. As an economy develops, production increases, becomes more specialised and concentrated in the most productive locations

which increase in value. The share of wealth produced that goes in location rent thus increases whilst the share that goes to earnings reduces.

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It is clear that the

location value of the rent arising in a developed economy is produced by the competition, presence, protections, and services provided by the whole community rather than by any individual or firm. It is thus due to the whole community and constitutes a natural source of public revenue. Its value is far more than would appear from current land values because these are reduced by all the taxes that the providers of labour and capital currently pay. The abolition of all taxes on enterprise, employment, capital, value added and trade would provide a boost to all those valuable activities. The collection of location value rent for the community would render land speculation unprofitable and boost capital investment. It would provide abundant public revenue to fund responsible public services, care for those in genuine need and provide the nation's young people with a positive start to their working lives.