

A Living Wage

Mike Curtis

Most people believe in the concept of a fair wage. But when you ask exactly how do we determine a fair wage, they will invariably base that concept on the cost of living - or the free market, in which case the wages of the least productive workers will be equal to a bare subsistence; a fair wage will be one which at least guarantees food, clothing and shelter.

Again, most people will agree that they are entitled to keep everything they produce, that is everything that can be attributed to their individual productions. Most people, if they think about it, will agree they are entitled to the fruits of their labor. The problem is: there's no way to measure it.

As people come together in communities, there arises above and beyond the productions of their individual exertions, a collective result which is the manifest product of the community as a whole; a product of labor through cooperation. Through the divisions and subdivisions of labor there arise economies of scale and a result which can be attributed only to the efforts of the community as a whole.

This production through cooperation is how societies and civilizations advance. However, we know that historically, after the adaptation of agriculture, the construction of permanent dwellings and the assignment of land to individual families, an increasing proportion of the socially produced products go to an ever diminishing number of land owners.

And this potential to acquire unearned products, encourages the hoarding of land. (Remem-

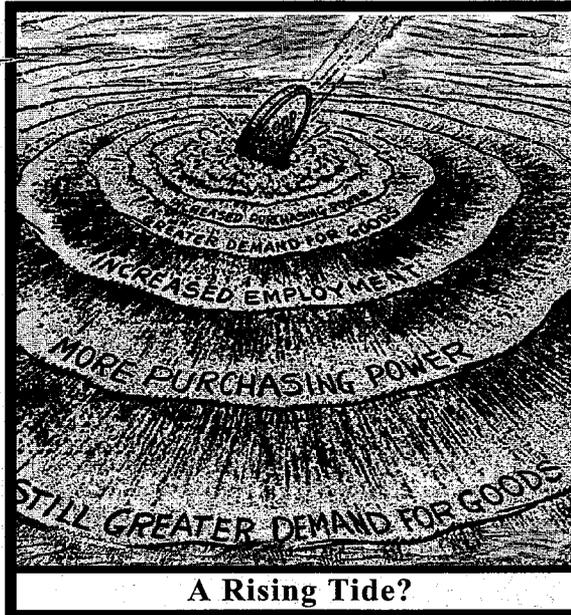
bering that land includes all natural resources.)

Let's fast forward. Is there any free land out there today? Obviously, there is no longer a frontier, no longer free land that would define the margin of production. So now the same cooperative communities that once enhanced the lives of all workers, for the most part enhance the lives of land owners only.

Today we try to ameliorate this imbalance by

the Minimum Wage, public housing and other social and governmental interventions. However, this is only an attempt to redress the imbalance and does not get at the root cause of that imbalance.

Henry George and his followers have an outstanding way to raise wages. They would make land, all natural opportunities - the entire material universe, excluding people and their products - a common opportunity, a common asset. We must insure that people can keep what they produce. No one would plant a crop or build a house, much less a modern factory, if they couldn't



put up a fence and lock the door. Without the means by which they could secure title to their product, there would be very little incentive to produce anything.

Georgists propose that the assignment of land should be honored - in exchange for the payment of its rental value. In this way we could satisfy everyone else's equal

right to their chosen plot of land, and insure that no one held more land than they actually needed (no more land than they can actually put to productive use).

As hard as it is for some people to imagine, Georgists believe that if the best land were put to its most economic use, then there would be more land than people actually needed to live and work on.

Henry George and his followers have an outstanding way to raise wages. They would make land, a common opportunity, a common asset. We must insure that people can keep what they produce.

the best land that was still free would create an alternative in the negotiations of workers who were seeking employment from others on superior land.

Aside from Oklahoma Land Rush, the instances are few and short lived when land was actually assigned to people for free. But when it was, prospective employers did in fact offer their workers, on superior land, as good a life as those workers could have produced working for themselves where the land was free.

As a general principle, we can say: Wages will be equal to what each worker could have produced by taking advantage of the natural opportunities which are freely available to everyone.

The valuable land, the rent yielding land, would fund the infrastructure, the preservation of order, the administration of justice and dare I say - national defense, all of which are clearly involved in what enables an increase in the density of population, more productivity, and enhanced land values.

The socially collected rent of land could also fund medical research and health care, and a cash dividend could be given to each and every person. And as technology advances, there will always be a disproportionate increase in the quality of opportunities where population is most dense. Whether rent or wages go up faster, either will enhance the lives of every worker.

Most of us agree, it might take a while before we can educate the general population in terms of common opportunities and the mechanism by which individuals could contribute collectively and individually - and reap freely of the products of their labors - and how this would increase the benefits we all expect from a just society. However, interventions like the Minimum Wage, Social Security, public housing and welfare, have measurably raised the standard of living for the poorest class of U.S. citizens. They are still poor, but they are not as poor as people in other countries who

Continued on p.6

do not have the benefit of those interventions. And because of this all other workers in the U.S. enjoy higher wages than equally productive workers in more *laissez-faire* market countries. Now, there's a new wave of support in favor of increasing the Minimum Wage termed: *A Living Wage*.

Were such a policy implemented, what would be the effects upon the economy, unemployment and the business cycle, and how best could it be instituted? Some economists assert that any increase in wages will equally increase prices, yielding no net gains to labor (of course it would increase the cost of production) but this hypothesis totally ignores the rent of land. Many politicians say that an increase in the Minimum Wage will make the least productive workers unprofitable. The unemployed will require subsidies, and the increase in wages will be off set by an increase in taxes. And again, here again there is no cognizance of the rent of land.

It is true that Production, minus wages and interest, equals rent. Rent is definitely the surplus, but the speculative price of land is a capitalization of the expected future income. Those who want to buy, keep on bidding up the price until some land owners decide it will be more profitable not to sell. When the population increases and machines replace workers, more land should come into production. When it doesn't unemployment begins, demand diminishes and the selling price which is offered for land begins

It is true that Production, minus wages and interest, equals rent. Rent is definitely the surplus, but the speculative price of land is a capitalization of the expected future income.

to fall. At this point rational owners of idle land would sell, and a recession would be averted.

A significant increase in the Minimum Wage would diminish the rent and the price that was offered for land that people work on. However, when the land owners don't accept the lower offers, downsizing becomes the order of the day. That is to say, a recession ensues. One solution is to peg the increase in the Minimum Wage to the increase in the G.D.P. The workers would share in the future increases in production. But there would be no reduction in the unearned income, and therefore the purchase price being offered for land.

There is already much unemployment in our cities. Without going into the long history which brought about their distressed communities, it is fair to say that the total cost of taxes already exceeds the benefits that are left in the worst of our urban areas. That's why there is no renewed investment and no jobs at many of the least desirable locations.

If we raise the Minimum Wage, other areas that are just barely profitable will become unprofitable and unemployment will increase. However, if we raise the Minimum Wage as Dan Sullivan suggests, while shifting some of our urban taxes to the value of land, the employers in distressed areas would be compensated for higher wages with lower taxes.

So, increasing the Minimum Wage in this way would definitely be an improvement in the lives of those who work, but only the Georgist program can guarantee full employment and give them the full benefits of material progress.