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Devolution, levelling-up, economic growth. Andy's imperatives.

It comes as no surprise that devolution of power and decision-making away from Westminster will be a central plank in Andy Burnham's government of what is currently one of the most centralised economies in the world. As he has demonstrated in Manchester, devolution can drive growth because it helps mobilise underexploited resources in relatively deprived parts of the country: every hour of underemployment and every square metre of derelict land represent permanent, ongoing losses to the productive economy that can never be recovered.

The new Prime Minister will be looking closely at how previous initiatives to implement devolution have been hobbled by central government's refusal to relinquish its control over taxation and revenue-generating powers: compared to the OECD average of nearly 11%, only 6% of total UK tax revenue is raised locally (essentially Council Tax and Business Rates).

Location-conditioned taxation can be a powerful instrument in the levelling-up toolbox because the projected tax bill is a crucial determinant of exactly where a start-up business is going to start up. If the desired outcome is to drive investment into the places where it is most lacking and most needed, using land value as the tax base is the obvious choice since land value depends on the local economy: where jobs are scarce and the economy is moribund, land is cheap. If land value is a substantial factor in determining the new company's tax bill, an entrepreneur is more likely to base their factory in a deprived area like Newcastle rather than a prosperous one like London. Moreover, a tax on land value alone as opposed to one on property encompassing bricks and mortar (and even plant and machinery!) does not disincentivise investment to enhance employees' working conditions or increase productivity. Finally, if all land—both residential and commercial—is subject to a land value tax (LVT), in addition to the company being more likely to succeed, continue paying their wages and make profit, its employees will be paying lower property taxes on their residences.

According to Chair of the Labour Land Campaign, Murad Qureshi, "The levelling-up aspects of a LVT join the other manifold aspects of using this as a tax base that can drive the national growth which is the other key imperative for the incoming team, namely: it replaces economically damaging taxes on work, trade and enterprise; it optimises use of one of the three factors of production; and it redirects investment into the real economy."

For maximum levelling-up impact between deprived and prosperous areas, the LVT rate will be set nationally with the tax collected locally, pooled centrally and redistributed according to need (as with Business Rates until recently) although local authorities and Mayors might also want to levy an additional local LVT (as in the old Domestic Rates system) to consolidate the switch of taxation away from productive economic activities like work, trade and enterprise, and onto land wealth and unearned income.ENDS

The Labour Land Campaign is a voluntary organisation working for land reform.
It advocates a fairer distribution of land wealth through a Land Value Tax.

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