

# A direct connection between business rates and local economy has no foundation in reality

May 11 2011

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In 1988 Margaret Thatcher took control of business rates away from local councils and in 2011 Eric Pickles wants to give it back to them. In his article, 'What do business rates measure?' published by SAGE, Dominic Williams carries out research into the link between business rates and the local economy.

Within this article Williams looks at the consequences should this change go ahead and what this would mean for poorer councils. He also explores supporters' views that this would give councils an incentive to promote growth in their local economy. Williams discusses the ideas that [business](#) rates are meant to be based on property values –which do not always move in line with the economy and are even more prone to boom and bust. He examines the idea that all kinds of non-residential properties pay rates, even though they have little connection with the local economy, asking what a nuclear power station contributes to the local economy and if councils that host government departments should be rewarded for doing it?

Williams asserts that the councils with the biggest rates income are the ones like Westminster, the City of London and the big cities like Birmingham and Manchester but the ones that grow fastest are a random selection of smaller councils who have a new supermarket or warehouse. He discusses how shopping was previously the fastest growing sector in many council areas – but it has now gone into reverse. Asking the

question - does a shopping boom built on household debt actually helps a local [economy](#), even it drives up property values?

"The romantic idea of a direct connection between local economic activity and business rates paid to local government has no foundation in reality" says Williams "It should be clear from the discussion above that there is no direct relationship between business rates and economic activity. The issues discussed in this article are not as simple as politicians might have the general public believe. We need to be wary of the fact that in America property values have collapsed and some local councils are starting to go bankrupt."

**More information:** What do business rates measure? by Dominic Williams is published today, 11th May in the journal *Local Economy* [DOI:10.1177/0269094211404122](https://doi.org/10.1177/0269094211404122)

Provided by SAGE Publications

Citation: A direct connection between business rates and local economy has no foundation in reality (2011, May 11) retrieved 3 May 2024 from <https://phys.org/news/2011-05-business-local-economy-foundation-reality.html>

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