

## *Andrew Dilnot (1991 to 2002)*

I vividly recall lunch on my first day at the IFS in the summer of 1980. Dick Taverne took the research staff to the local pub, and the five of us (Dick, John Kay, Nick Morris, Richard Hemming and I) sat round in the sunshine talking about the size of the Black Economy. The research we did that summer used one year of Family Expenditure Survey data, 1977, and ran overnight on an ICL mainframe computer that reputedly needed as much water to cool it as the entire domestic consumption of its host city, Oxford. I couldn't understand why there was a pneumatic drill going so often in the computer centre, and only later discovered it was a card reader.

Much has changed since then. By 1999, when IFS celebrated its 30<sup>th</sup> anniversary during my time as Director, there were 34 economists on the permanent staff, 19 Research Fellows and Associates in the UK, and 23 overseas. IFS continued to recruit very young economists, although these days the process is rather more formal than a chat in an Oxford quadrangle. We all now have sitting on our desks computers much more powerful than the mainframes of 1980, and the scale and diversity of data has grown beyond our wildest imaginings.

We were lucky to catch the crest of a technological wave, that took us from writing COBOL in 1980 (to the amusement of my younger colleagues in later years) to the high level programming languages of the late 1990s; from enormous struggles to produce simple cross tabulations of data, to ease of computing sophisticated statistical models on vast datasets more quickly than we could interpret the results.

And there is much for an organisation like IFS to do. Tax credits for research and development, incentives for small company investment, making work pay, integrating the tax and social security system, a rewrite of the tax law, a climate change levy, incentives for young people to stay on at school, more reform of pension systems, worries about international tax competition. The debate about the role and impact of government policy on people and companies is at least as vigorous now as it ever has been. As well as questions about the scope for policy to affect behaviour, questions about how the world is – the distribution of income, of tax payments, whether taxation is going up or down, how we should measure inflation, are also crucial.

All these areas, and many others, provide the backdrop to IFS work. The goal set for us 40 years ago was to face up to the challenges of policy with the equipment of rigorous analysis. In my experience, that is for us the joy of the work for the Institute's researchers. We were then, and they are now, committed to using the very best techniques available to address these fundamental questions. Sometimes what is needed is very careful description of large datasets, sometimes clear understanding of institutions and rules, sometimes the application of economic theory, sometimes the use of sophisticated statistical technique. Most often, all of these are necessary, and it is the bringing together of these that IFS seeks to achieve.

In our striving after this integration of policy and research we were enormously helped during the 1990s by the Economic and Social Research Council's support of a research centre within the IFS, the Centre for Fiscal Policy, directed by Richard Blundell. ESRC funding of the CFP delivered about a third of our total income during my time as Director, and, crucially, gave us the ability to commit very substantial resources of time and effort to the underlying scientific base of much of our work. The fruits of this are of great value in themselves, and added enormously to our contribution on policy. Our applied work on key elements of the government's strategy, such

as the encouragement of innovation, of personal saving, and of paid employment, were all made possible by basic research.

Many other funding bodies also made invaluable contributions – the Leverhulme Trust, the Joseph Rowntree Foundation, the Nuffield Foundation, the Esmée Fairbairn trust, the European Union, and many government departments were among our larger supporters – and still support IFS today. And the corporate sector continues to provide membership income which allows the flexibility to respond rapidly to new issues when they arise.

The IFS grew out of concern about the legal and accounting debate on tax, or lack of it, as well as the economic. The Tax Law Review Committee was a 1990s innovation which made substantial contributions.

There were many exciting moments as research came to fruition in the 90s, but one illustrates well the way the agenda moves on. For many years, we had an ambition to produce a consistent series of data on the distribution of income in the UK – an aim stretching back to the late 1970s. In 1994, after research which had required the use of the mainframe computers of a large supermarket to read computer tapes unread for decades (government no longer had a suitable machine!), and trips to the Public Record Office to locate missing households from the 1960s, we published. Yet even as we published we were aware of many research ideas stimulated by the results. Why were there so many households with apparently zero incomes – were more households experiencing intermittent periods of very low income, perhaps the self-employed? The distribution of income had widened more quickly than that of spending – why?

Were those with low incomes permanently poor, or was there substantial mobility, from year to year, or generations to generations. Why had inequality risen – wages, unemployment, lone parenthood? We set research in progress on these issues, which has helped us to comment on recent government proposals aimed at responding to low incomes. This work informed policy and generated new questions for the future.

Some of our questions arose from consideration of theory, some from our results, some from government and opposition. These three sources of ideas for research continue to provide the inspiration for work at IFS.

Looking backwards I am very aware of the role of those who founded the Institute, of the staff who have come and gone, and now all of those who still work at IFS. It is the people who have worked at IFS who have made it special, and do so now. Throughout its life as a research institute IFS has been served by outstandingly able and committed people.

*Andrew Dilnot is Principal of St Hugh's College, Oxford.*