

John Kay (1979 to 1986)

My association with IFS began in 1975. As a young Oxford don, I was asked to join Mervyn King and John Flemming as secretaries to the Meade Committee. Anyone who imagined that a group as opinionated as John, Mervyn and myself would be content with a role as scribes was naïve. It was soon accepted that we were full members of the Committee. It was also true that anyone who imagined that someone with as fertile, lucid and definitive a mind as James Meade would allow others to write the report of a committee of which he was chairman was naïve. The Meade Report as it was published bears the stamp of James on every page.

The Meade Committee was a formative experience, because it was my first acquaintance with the application of economics outside the academic world. I found that congenial. I acquired a taste, and perhaps a skill, in explaining economic concepts to a more general audience. When Dick Taverne asked me to become the Institute's first full-time research director, the decision to give up the comfortable tenured position of lecturer at the University of Oxford – till 30 September 2015 – was not an easy or an obvious one. But the ground for it had been prepared. I was already sure I did not wish to be a full-time academic till 2015.

So in January 1979 I arrived at the Institute's first premises in a depressing location at Castle Lane, to manage a research staff of two people. But I arrived with some firm ideas about what needed to be done. I wanted to develop two major empirical databases, one for the personal sector, one for the corporate sector. These would underpin our research and ensure that no-one would ever again think that the government had a monopoly of the information needed for policy analysis. I knew this would make us unpopular in some parts of government, and it did. And I had a suspicion that pensions – an area where policy discussion had almost been closed down after bipartisan support for the Castle reforms in 1975 – in fact raised huge unresolved issues of provision and cost.

I came to public policy issues with a passionate commitment, not to any particular policy conclusions, but to improving the process by which these conclusions were reached. This differentiated – and still differentiates – IFS. Most think tanks exist to put forward a particular view of the world. Many people found it hard to understand that we were more concerned to get to the right answers than with what these answers were. If the data didn't support our prejudices, we unhesitatingly jettisoned the prejudices. This became the ethos of IFS, and is the basis of the ferocious independence it maintains to this day. That was another reason why IFS was unpopular with government – and will have failed if ever it is not unpopular with government; its existence is a constant antidote to spin.

That is not to say we didn't have views. Fiscal neutrality is today a cliché, and it is hard now to remember how unfamiliar a notion it was thirty years ago. For most people, it was then self-evident that the tax system should reward the good and punish the bad. Our reframing of that debate has had an enduring impact on public policy in Britain, and it is the kind of influence a think-tank should aspire to exert on the climate within which ideas and policies are framed. The interaction between tax, national insurance and social security, and the complexities and inefficiencies of the tax treatment of savings and investment, were constant themes of our work and they became themes of government attention and action as well. And we began the process that led to the dismantling of the state earnings related pension scheme, a complex political construction that threatened the public finances in the next century without tackling the main weaknesses in UK pension provision.

Many people and events contributed to making IFS a success, but for me there were three decisive moments. One was when a bearded economist in the Department of Health and Social Security walked into my office on the recommendation of Wilfred Beckerman, his tutor at Balliol. Within a few minutes, I realised that Nick Morris was the lieutenant I needed. Without Nick's unmatched capacity for getting things done we could never have achieved a fraction of our aspirations.

Another key event came soon after the 1979 election. The newly elected Thatcher government implemented a major switch from direct to indirect taxation, taking three points off the basic rate of income tax while raising VAT from 8% to 15%. They were concerned that the rise in the RPI might feed into wage increases, and argued that what was really required was an index which measured the spending power of gross income. So we set out to construct one.

It was the first use of our personal sector database, and Nick Morris worked through the night to compute it on a programmable calculator. (It was to be another two years before IFS acquired its first computer, a Sirius mini-computer, which we all looked at with awe). The index itself wasn't that important. What really mattered was the press interest we aroused. Britain has the best economics journalists in the world, and we had discovered their ravenous appetite for original, well researched, material. We began to understand that feeding that appetite was the most effective way of getting our work across.

Funding proved harder than we expected in those early days. As a band of three or four researchers, we could never hope to realise our ambitions. Dick Taverne and I went one afternoon to see David Sainsbury. I talked at length about our plans, and David simply listened. I left feeling disappointed at the absence of reaction. I couldn't have been more wrong. Two days later, the Gatsby Foundation which David had established agreed to fund our personal sector research programme. We knew then that IFS was in business.

But the most rewarding aspect of work at IFS was the development of the skills of individuals and the capabilities of teams. In the spring of 1980, in the quadrangle at St John's College, I was chatting to a young student with a flair for empirical data who was looking for a summer job. I suggested he join us at IFS. The following year he became a member of the research staff: and ten years after that, Andrew Dilnot became director of the Institute. It is immensely fulfilling that first in Bill Robinson's hands, and then in Andrew's, the Institute has gone from strength to strength.

*After he left IFS in 1986, John Kay went on to hold chairs at London Business School and Oxford University and to set up (with Nick Morris) a consultancy, London Economics. He now writes books (his latest *The Long and the Short of It* was published in January 2009) and a weekly column in the *Financial Times*.*