

Bill Robinson (1986 to 1991)

My connection with the IFS goes back to late 1981. I was at that time a Senior Research Fellow at the London Business School, producing macro-economic forecasts and policy advice. I vividly recall the day Nick Morris walked into the LBS offices to ask for help with the macro-economic background to the *Green Budget*. I had never heard of Nick or the *Green Budget*, but he said enough to persuade me that the IFS had thought more deeply about tax revenue projections than we had.

After a working meeting with Nick, to which he brought along his young assistant Andrew Dilnot, I decided that the LBS forecast could only benefit from collaboration with these young unknowns. So I persuaded my colleagues that the LBS should enter into a strategic alliance (as it would now be called) with the IFS. The synergies were obvious. The IFS got the most up-to-date macro forecast from the leading practitioner. The LBS got a better fiscal forecast and in due course some greatly improved forecasting equations.

We did three *Green Budgets* together, in the course of which I learned a lot about tax, the work of the IFS and the extraordinarily productive partnership between John Kay and Nick Morris. John, with his powerful intuition, could always see things before the rest of us (e.g. that SERPS placed an insupportable burden on the public finances). Nick would then do the empirical work to prove it. In addition to his enormous contribution as a researcher Nick would also organise conferences, write fliers, recruit staff, run the office - and mend the coffee machine if it went wrong.

When, in 1986, Kay and Morris decided to move on and asked me to succeed John as Director, there could only be one answer. The pay was poor and the working conditions appalling. I was a macro economist who knew too little about tax. Many people doubted if the IFS would survive without John Kay's leadership. So of course I said yes - after all I was a policy wonk and I believed the IFS could have as much influence over tax policy as the LBS had had over macro-economic policy in the early 1980s.

When my friend and mentor Jim (Professor Sir James) Ball took over as Principal of the LBS he was asked what his objectives were. "To survive" he said. That was my objective at the IFS and if it sounds too modest I should make it clear that I wanted IFS to survive in order to go on changing the world. Survival meant finding half a million pounds a year in research funds. To do that we had to come up with some good ideas for policy-relevant research, and maintain the excellent IFS tradition of explaining our findings to press, politicians and other policy wonks in language that non-economists could understand.

It was easier than I feared. I had some very able lieutenants. Andrew Dilnot, Mike Devereux and Steve Smith each headed up a small team of policy-oriented researchers in the IFS and came up with a steady stream of ideas for policy-relevant projects. Richard Blundell maintained our links with the academic community and ensured that our research techniques were state of the art. Robert Markless, our administrator, looked after all the practical details, especially the organisation of conferences. It is a remarkable testimony to the affection that the IFS inspires that two of this team are still playing a key role today, and two others maintain looser links as associates.

So what did we set out to achieve in the Robinson years at the IFS? My first aim was to keep us at the forefront of the policy debate, which meant plugging away with the essential messages on fiscal neutrality, and the need to rationalise and simplify the tax system. We took two initiatives to this end.

We launched the Capital Taxes group, which brought together academics and tax practitioners under the chairmanship of Malcolm Gammie, and produced a series of influential reports on Inheritance Tax, Capital Gains Tax, and more generally on the taxation of savings and corporation tax (the ACE proposal came out of that work).

We entered into another strategic alliance on the *Green Budget*, this time with Goldman Sachs, and turned it into a much more high-profile event. The *Green Budget* report, now essential reading for policy makers, became a splendid shop window for IFS policy ideas. To change policy you need to repeat the message, many times, in different ways, taking account of the latest data and developments. The *Green Budget* is a brilliant device for achieving repetition without being repetitious.

However, we also needed some new tunes. I always saw the IFS as an institution whose job was to take ideas from the academic community and turn them into practical policy proposals, backed with solid empirical research. In the late 1980s there was a new wave of concern about the environment, on which there is a huge academic literature. I decided that the IFS should get involved in the debate on Green Taxes and launched a research programme into environmental taxation, funded initially by the Esmée Fairbairn trust. There is now a chapter on Green Taxes in each *Green Budget*, (many who don't know the history have wondered if that was why it was called the *Green Budget*) and every politician now knows that it is a good idea to tax bads rather than goods.

However the most important event of the late 1980s, in terms of its implications for tax policy, was the creation of the Single Market. This led to calls for harmonisation of VAT rates across Europe. I can still remember Stephen Smith coming into my corner of the open plan office in the Tottenham Court Road and explaining to me that you did not need to have a ceiling, only a floor, if you wanted to achieve this. Market forces would push tax rates downwards, because each jurisdiction would compete for the favours of cross border shoppers by lowering its VAT rate. You simply needed to agree a floor, otherwise this tax competition would erode VAT revenues altogether.

Over the last twenty years, which have seen increasing globalisation of markets, the importance of tax competition has grown. The UK government has been quicker to understand this than some of our European partners, partly because it has been very well educated by the IFS. My own small part in this process was to give a big push to the IFS work on European tax issues in the late 1980s. We devoted an Oxford residential conference to the subject, undertook research projects in collaboration with other institutes around Europe and I served on various EC committees, including the Ruding Committee on corporation tax.

I left the IFS under the happiest of circumstances. In the summer of 1990 we learned that we had been successful in our application to become an ESRC Centre of Excellence. In the early autumn we moved into splendid new offices. In the late autumn I was invited by the Chancellor of the Exchequer to become his Special Adviser, with particular responsibility for tax issues. So I handed over the reins to Andrew Dilnot and departed to the Treasury with my head full of tax reform plans – starting with the abolition of mortgage interest relief, politically possible now that Mrs Thatcher had gone.

I hugely underestimated the difficulty of getting rid of that ridiculous relief, but in the 1991 Budget we managed to restrict it to the basic rate of tax. I never dreamt it would take another nine years, and a Labour Chancellor, to complete the process. In the face of such enduring anomalies we need an enduring force for reform. I am proud to have played a small part in building such a force.

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