

# *The launch of IFS*

## *Dick Taverne (1970 to 1979)*

After the 1970 election, in which the people decided among other things that I should no longer be a Minister, I was asked by the late Nils Taube if I would be director of a new institute for fiscal studies and help launch it. With Will Hopper, a merchant banker, John Chown, a tax consultant, and Bob Buist, a stock broker, Nils, himself a stockbroker, had set up the IFS in 1969 as a company limited by guarantee, to follow up an article this group had written to *The Times* about a new approach to tax reform. The idea of this institute appealed to me immensely. As Financial Secretary to the Treasury when Roy Jenkins was Chancellor, I had become acutely aware of the lack of tax expertise outside the Inland Revenue, as it then was. The Revenue seemed to have a virtual monopoly of specialist knowledge and could demonstrate beyond argument that any major reform of the system suggested by outsiders was impossible on technical or administrative grounds. What was clearly needed was a kind of 'shadow' Inland Revenue and Treasury.

Looking back to my time at IFS, I believe I made three important contributions to its development: the launch, setting up the Meade Committee and persuading John Kay to be director.

The launch in 1971 was perhaps the easiest part, because once the rationale of the new institute was explained, those concerned to see a better tax system regarded the need for IFS as self-evident. I borrowed the broad lines of its constitution from another institute with which I had been more familiar in my early Parliamentary days, the International Institute of Strategic Studies. Pump priming funds were raised mainly from industry and partly from accountants and solicitors. Marks and Spencers led the way. Indeed in the early days IFS was heavily dependent on corporate money because we did not yet have the academic reputation to approach bodies like the Social Science Research Council (as it then was) and other major grant-making trusts and foundations, although some of them did provide limited funds for special projects.

We decided, I believe wisely, that we would not initially recruit in-house research staff, but would commission work from outside. A new institute with no track record was unlikely to attract first class academic talent. But at first progress was relatively slow. This was at least partly because as director I had limitations: I was not an academic, let alone a tax expert or an economist, and I had many outside diversions - first as MP, especially after I became an independent social democratic MP for Lincoln after a by-election in 1973, and also as a non-executive director of some major companies. Much of the credit for the establishment of IFS in its infancy belongs to Thelma Liesner, who was the research director until 1979.

What really put IFS on the map was the Meade Report. I had been acutely conscious that nearly all tax reforms had been approached *ad hoc*, without regard to their effect on the tax system as a whole, much of which lacked a rational base. Conflicting objectives were pursued at random and often in contradictory ways. I was excited by the Carter Commission set up in Canada in the early 1970s to look at its tax system as a whole. A similar committee in Britain could be our big idea, which I felt was needed to enable IFS to make a national impact. So we established, under Professor Meade's chairmanship, an interdisciplinary committee to examine the structure and reform of direct taxation in the United Kingdom. The Commission was generously financed by various trusts and foundations, led by David Sainsbury's Gatsby Charitable Foundation, and we were even able to return a small balance of Gatsby's final grant when the report was completed. Remarkably that took only just over two years. The

publication of the report in 1978 was met with all the respect and deference due to a major Royal Commission. In fact it was often thought to be a Royal Commission. The Financial Times devoted page after page to its analysis.

In retrospect we were almost recklessly ambitious. Soon after the committee was set up, James Meade, that wonderful man who was an inspirational chairman and who wrote most of the report himself, said to me "Now that I have thought about what I have undertaken, I am appalled and overwhelmed by the enormity of the task you have given me. I am over seventy, you know."

Several factors contributed to its success. One was the role played by the deputy chairman, Donald Ironside, a very modest and immensely able accountant. He not only organised the work of the Committee, but translated the language of the tax experts to the economists and of the economists to the accountants. For his contribution he was later given the award of "Accountant of the Year", an award annually given to an accountant who had enhanced the reputation of the profession. Another factor was our prescience in our choice of members, especially the three young economic advisers, later made full members of the committee. The original two were John Flemming (later chief economist at the Bank of England) and a very young Mervyn King, whom I knew well and for whom I had a very high regard. Mervyn recommended another very young economist, an Oxford don, John Kay, who looked about sixteen years old. Further a major boost for the report was that shortly after its publication James Meade himself received the Nobel Prize. It was actually awarded for his work on trade, but he received a telegram from President Jimmy Carter congratulating him on a prize so thoroughly deserved "for your work on tax".

To me one of the most gratifying things about the Meade report is how well it has worn. In my foreword I said: "We hope and believe that this report will be a rich quarry for tax reformers and a reference point for students of taxation for decades to come." I believe this hope was realised.

My third, perhaps my most important service to IFS, followed the report's publication. Although he was the youngest member of the committee, John Kay made probably the most important academic contribution after James Meade. At a series of very well attended public seminars we held to discuss the report, James Meade consistently answered difficult questions by saying: "I think John Kay should answer this one". I succeeded in persuading John, despite the many tempting academic offers already coming his way, that if he became its director, IFS would give him unique opportunities. We had better links with industry and the City than most academics could hope to have. More important, now that the Meade report had firmly established our reputation, I was confident we could raise a lot more money (which we duly did with the help of the Bank of England) and he would have virtual carte blanche in recruiting able young staff, which he did. Almost immediately our output increased dramatically and the general research programme assumed a coherence which without in-house research staff we had not been able to achieve before. He (and later his successor, Andrew Dilnot) developed IFS into the force it is today.

*Dick Taverne now sits in the House of Lords, and six years ago set up a new institute, Sense About Science, which promotes the evidence-based approach to the public discussion of scientific issues.*