

# THE POLITICAL ECONOMY OF TAX POLICY

## A COMMENTARY

By Peter Riddell

The Alt/Preston paper has too much flimsy political science and not enough well-founded history. Its discussion of the political influences on tax policymaking would have been more convincing if the authors had examined what had happened rather than tested, and partly found wanting, some tendentious theoretical models. There are virtually no references to what Geoffrey Howe, Nigel Lawson, Kenneth Clarke and Gordon Brown said, thought, and did. We do not have to speculate on why various tax decisions were made. There is ample evidence in what politicians said at the time, especially about what they believed (rightly or wrongly) about the attitudes of voters, and in more immediate, and extensive, opinion research by polling organisations, rather than just the British Social Attitudes Survey (valuable though that is). There have been two long periods of one party rule in Britain, from 1979 until 1997 under the Conservatives, and since 1997 under Labour, when broadly consistent tax policies were followed (with notable exceptions, of course, such as the introduction and then abolition of the poll tax or community charge). This historical approach provides greater insights into the pressures to reduce marginal tax rates during the 1980s, then not to raise them again from the 1990s' onwards. Such an analysis would also place much greater emphasis on international influences on tax policy, especially during Labour's period in power, than the paper does.

A major reservation about the paper is over the discussion of voter preferences and median voter models. Their usefulness is limited because votes in general elections are not solely or even primarily determined by the public's views just on taxes and on the parties' tax policies. The pattern is, in practice, more complicated, because as the authors concede, public knowledge is imperfect, while attitudes on taxation form part of a much broader range of attitudes towards a governing party's competence in managing the economy. For instance, Gordon Brown's repeated emphasis, both before and after the

1997 election, on not raising the basic and higher rates of income tax was only partially about tax policy as such –and only a limited guide to the trend of the tax burden, as the paper recognises- and much more about convincing voters that it was safe for them to have, and then retain, a Labour Government. The authors correctly link support for taxes to levels of public spending. But it is more a question of whether voters think their tax money is being well spent. The paper says ( on page 26) that the BSA asks no question addressing directly the issue of how effective the government is believed to have been in directing public funds to desired uses. But this question has been asked frequently by the main polling organisations, such as ICM, Populus and YouGov ( all of whose work is readily accessible on their websites). This shows a consistent decline over the past five years in the number believing the increase in taxes has been well or efficiently spent. The trust question asked in the BSA, as mentioned in the paper, is only a rough and ready proxy for this more specific question which is the key to attitudes to taxation. In this context, as discussed below, it is astonishing that the paper does not discuss Gordon Brown’s decision in 2002 to raise employer and employee national insurance contributions specifically to finance a big increase in spending on the NHS.

### The Conservative Years

The Conservatives came to power in May 1979 with a clear tax objective. As Margaret Thatcher put in her memoirs ( p42): ‘Lower income tax combined with a shift from taxation on earnings to taxation on spending, would increase incentives’. There was no dispute on this goal. Promises to cut taxation had featured prominently in Conservative campaigning and in its manifesto, cutting the top rate of income from 83 to 60 per cent ( the then European average) and also the basic rate, while undertaking an unspecified switch from direct to indirect taxation. Tory strategists believed that not just the wealthy but also skilled manual workers felt they were paying too much in direct taxes. As Professor Ivor Crewe pointed out ( in Penniman, 1981, pp 284-297), taxes came third on the list of issues which members of the public said influenced their voting decisions ( behind prices and unemployment). Moreover, amongst those saying the issue was important, the Conservatives enjoyed a lead of plus 61 points. The Tories’ edge here and

on law and order offset Labour's advantages on prices and unemployment. Moreover, crucially, voters believed that a Conservative Government would succeed in achieving its promise to reduce income tax- by a margin of plus 49 points saying it would rather than would not.. Tax, Crewe argued, was different from other economic questions. 'To promise a reduction in the income tax, as the Conservatives repeatedly did, is as clear, tangible, and accountable a campaign commitment as a party can make. The electorate felt that something ought to be done about process, jobs, strikes, crime and taxes, and on the first two it was marginally more inclined to put its trust in Labour; but only on taxes did the voters also believe that something could and would be done- and that it was the Conservatives who would do the doing'. Taxation was the single most helpful issue for the party. 'A year before the election the Conservatives' lead over Labour as "the better party to reduce taxation" was a mere two percentage points; by polling day, the Conservatives' lead was 42 percentage points. On no other issue did public concern and party popularity move so decisively- and swiftly- in the Conservative party's favour'.

So the Conservative leadership regarded honouring the tax promise as a top priority, both because it was right and to show that their election manifesto was being implemented. The Howe/Lawson team never signed up in full to the theories of Art Laffer that cutting income tax would not reduce the tax yield, and might increase it as a result of stimulating economic activity. This was one of the main contrasts between the economic policies of the Thatcher and at least the first term Reagan administration. While the Thatcherites agreed that, over the long-term, income tax cuts would raise incentives and activity, they thought the positive effects would take time to work through and would not immediately offset the revenue lost from any reduction in the basic rate or from raising thresholds. The sole exception was in cutting the previously very high top rate of 83 per cent to 60 per cent, which they believed would have favourable effects on revenue, not least through a reduction in tax evasions and avoidance. This positive effects would not, however, apply in the short-term to a cut in the basic rate of income tax, which Howe believed, had to be from 33p to 30 p in the pound. Howe ( 1994, p 129) argued that 'the level of income tax payable by the average taxpayer had to be reduced substantially. Not just because his or her income was more highly taxed than that of most of our overseas

competitors. Not just because he or she felt demotivated. But, most important of all, because it would be politically impossible to make the large cuts in top rates that were necessary without achieving some comparable reduction in the direct tax burden of the average citizen'. So with tax thresholds and allowances rising above the cost of inflation, the Treasury would have to find at least £4.25 billion from indirect taxes, notably by replacing the previous two rates of Value Added Tax of 8 and 12.5 per cent by a unified one of 15 per cent. The main downside of this big tax switch was in raising retail prices and on the retail prices index which, in turn, would affect the level of pay claims, especially at a time of double digit inflation.

The intellectual and political drive from the tax change came from the Conservative Treasury team. But such a big change naturally also involved the Prime Minister. Howe noted ( 1994, p130) 'the ambivalence which Margaret often showed when the time came to move from the level of high principle and evangelism to practical politics... now that we had come to the point of decision , she expressed herself anxious, understandably, about the possible RPI effects. At our first bilateral meeting, on 22 May, she was inclined to stick at a VAT flat rate of 12.5 per cent. I argued that our first Budget provided "our only opportunity to make a radical switch from direct to indirect taxation and thus honour the commitment on which our credibility depends".' At a second meeting, two days later, the scale of the shift was agreed, with a later compromise on excise duties. Thatcher herself recalled ( 1993, p43): 'Income tax cuts were vital, even if they had to be paid for by raising Value Added Tax ( VAT) in this large leap. The decisive argument was that such a controversial increase indirect taxes could only be made at the beginning of a parliament, when our mandate was fresh'.

Important political influences were notable by their absence from this discussion. First, public opinion only played a background role: being seen to support the general proposition that income tax should be cut but no more. There were guesses about the impact of the direct to indirect tax shift but no more sophisticated assessment of public preferences. Second, there were no worries about the attitude of MPs or Parliament. It was assumed that even such a controversial package would be approved by MPs, as,

indeed, it was later that summer. The key decisions were taken by only a small group of senior politicians and advisers, all committed Thatcherites, as shown by the dismay of some of what were then called 'wets', dissenters in the Cabinet such as James Prior and Sir Ian Gilmour: doubts shared by quite a number of civil servants and economists. The June 1979 Budget was essentially an ideological statement, underlined by the decisions to raise the tax burden in the spring 1981 Budget in order to reduced public borrowing and facilitate a cut in interest rates.

The second phase of the Thatcher era came with the appointment of Nigel Lawson as Chancellor in June 1983. He pursued the tax cutting agenda, notably by slashing the top rate of income tax to 40 per cent in his 1988 Budget and with further cuts in the basic rate. But the most striking aspect of his period as Chancellor were his attempts at tax simplification and neutrality. In his memoirs, the most comprehensive account of his period at the Treasury by any Chancellor, Lawson ( 1992, pp338-346) set out his broad approach:-

1. To leave people more of their own money so that they could choose for themselves what to do with it.
2. So far as was practical, to reduce marginal tax rates, so that an extra pound of earnings or profits was really worth having.
3. To see that, as a general rule, people's choices were distorted as little as possible through the tax system.
4. But to be prepared, when sensible, to promote tax reliefs designed to make the economy work better.
5. To ensure, so far as possible, that the tax system was both simple and acceptable ( not least to married women).
6. To adopt an economic rather than a social approach.

Among the changes which Lawson introduced, or extended from the Howe years, were the abolition of the national insurance surcharge on employers and the reduction of the bias against jobs in the Corporation Tax system, while savings were encouraged by

the abolition of the investment income surcharge, the replacement of Capital Transfer Tax by Inheritance Tax, and the launch of Personal Equity Plans.

Most of the Lawson era changes originated in the Treasury, in the mind of Lawson and his close advisers. Thatcher ( 1993, pp672-673) conceded that 'Nigel's Budgets were 'essentially his'. She added: 'We had some differences- not least about mortgage tax relief which he would probably have liked to abolish and whose threshold I would certainly have liked to raise. But Nigel did not generally like to seek or take advice. Doubtless he felt he did not need to. He was precisely the opposite of the collegiate style which Geoffrey Howe before him practised'. In the Lawson memoirs, there is virtually no mention of Cabinet colleagues on Budget decision making and none of Parliament. His 1988 Budget caused considerable controversy in the Commons on the day, but his proposals were passed into law pretty smoothly despite the worries of some about fuelling an already strengthening consumer boom. This is leaving aside the battles between the Treasury and Thatcher over the replacement of domestic rates by the community charge, or poll tax, a rare occasion of a new tax being introduced despite the opposition of the Chancellor of the day.

The focus in his discussion in this section has been on marginal tax rates when as Alt and Preston rightly point out, the trends in the tax burden are often very different and less spectacular. The tax share of national income rose by a couple of points during the Thatcher era, though it fell marginally during Lawson's time as Chancellor. Marginal tax rates for the average taxpayer fell by about five percentage points during the Howe and Lawson decade to 34 per cent. The contrast with the smaller change in the relative tax share is not only because of the shift to VAT but also because of fiscal drag.

In the final phase of the Conservative years, from November 1990 until May 1997, there was much less emphasis on tax reform or simplification and much more on stabilisation in response to the inflation, exchange rate and fiscal crisis of 1991-93, which required substantial tax increases. The political and economic pressures were different from the Thatcher decade, not least because after the 1992 general election, the Major

Government had a precarious, and then non-existent majority in the House of Commons. The relative freedom which Howe and Lawson enjoyed, at least in retrospect, was not shared by either Norman Lamont or, after May 1993, Kenneth Clarke. Even though the economy recovered steadily after Black Wednesday, the tax increases proved to be highly unpopular and were seen as breaking the 1992 election pledge, as the Labour Opposition continually argued. Indeed, the gradual disappearance of the Conservatives' Commons majority, coupled with a rebellion by a number of euro-sceptic MPs led to the defeat in December 1994 of the Government's proposal to raise VAT on domestic fuel from 8 to 17.5 per cent. This was a very rare example of a Government being defeated in the Commons on a Budgetary measure, but memories of the event acted as a constraint on what Clarke could do in his remaining period as Chancellor.

### The Gordon Brown Decade

The approach of Gordon Brown and New Labour to tax policy was a mirror image of the Tories' problems and loss of trust on economic competence and taxation from 1992 onwards. Brown, Tony Blair and their key advisers were convinced that Labour's ambiguous message on taxation had been a major factor in their fourth successive election defeat in 1992. Philip Gould ( 1998. pp117-130) recorded the damaging impact of tax for Labour ahead of the 1992 election. A presentation he made in autumn 1991 showed that tax was the top reason for not voting Labour, with nearly two-thirds of voters agreeing that the party would raise taxes for everyone. The percentage was even higher amongst C2 skilled workers, reflecting their aspirations as much as their current position. Gould recorded that the presentation made the politicians angry. 'Tony Blair and Gordon Brown were frustrated that we were in a position where our policy was both untenable and highly unpopular; John Smith { then Shadow Chancellor }, knowing what we said was all true, simply walked out'. Gould and other New Labour strategists believed that suspicions over Labour's tax plans had lost them the support of the key group of 'aspirational' voters, Middle England or Middle Britain if you like.

Tax, therefore, played a key part in the creation of New Labour. Gould recorded ( 1998, pp283-284) that: ‘Tax was central to our strategy of reassurance. If the election campaign had one crucial battle, one defining fight, it was over tax. We lost the 1992 election and won the 1997 one in large part because of tax. Tony Blair and Gordon Brown both believed the shadow Budget in 1992 had been a mistake: it revealed our hand and raised taxes for middle-income earners.....Blair and Brown had a gut feeling that hard-working families paid enough tax; why should they pay any more?’ So, both before and after Tony Blair became party leader in July 1994, Brown followed a double track approach: attacking the Tories for breaking their pledges by raising taxes and trying to reassure voters that Labour could be trusted on the economy, and particularly on taxation. This was not just about taxation but also involved taking a very tough line against new public spending commitments.

The key symbolic argument was about whether to introduce a new top rate of income tax, Blair and Gould were hostile, fearing that it would be seen as merely the start of higher taxes and would undermine voters’ attitudes towards New Labour on taxation generally. Seen from the Brown camp, and particularly that of Ed Balls, his long-term economic adviser, Robert Peston described Brown’s attitude ( 2005, pp253-254): ‘ The danger he foresaw of giving in to the party’s opinion poll pundits- such as Gould- by closing down this tax option was that over time he would be forced to abandon his ability as a future Chancellor to raise nay taxes, simply for fear of upsetting potential voters. He would be a neutered Chancellor’. In the event, Brown was persuaded to announce in January 1997, only a few months before the last possible election date, that a Labour Government would not increase the top rate of income tax for the next parliament. This was coupled with a promise not to raise the basic rate or broaden the scope of VAT.

This approach worked electorally. As Anthony King ( 1998, pp 194-195) showed, nearly a half of “lost” Tories, those who previously supported the party, say a reason for no longer supporting the party is because it promised to keep taxes down but had instead increased them. Similarly, Butler and Kavanagh ( 1997, p130) noted the view of Tory

polling advisers the tax no longer worked as an issue to help them and to damage Labour because of Blair's successful campaign of reassurance.

Some of Labour's worries may have been exaggerated since, as King quoted ( 1998, p 200), a big majority of voters polled by Gallup ( 72 per cent) believed that government services such as health, education and welfare should be extended, even if it means some increases in taxes. This was up from 66 per cent in 1992, and 61 per cent in 1987. But the 1997 level was more than double the 34 per cent of 1979, when 34 per cent believed that taxes should be cut, even if it meant some reduction in government services such as health, education and welfare. That figure had fallen to just 7 per cent by 1997. These figures both explain the Thatcher opportunity in 1979 and underline the New Labour dilemma in 1997. Blair and his advisers were so scarred by the party's four election defeats that they may have been unnecessarily cautious in 1997. They were, however, sceptical about findings such as these and those in the BSA surveys, believing that voters were, in reality, much more worried about higher taxes.

In office, Gordon Brown addressed this dilemma by eventually both raising the growth of public spending, especially after 2000, and by increasing taxes. Throughout, Mr Brown honoured, and extended at both the 2001 and 2005 general elections, his 1997 pledge on not raising the higher rate of income tax or the basic rate ( which was cut). Yet the tax burden rose steadily over the period, by more three percentage points overall. This was partly as a result of what the Conservatives described, in their only effective slogan of the period, as 'stealth taxes'. These ranged from the high profile one-off windfall levy on privatised utilities and the lasting, and more damaging, changes to the tax treatment of dividends received by pension funds to various new charges on insurance premiums and airline flights. ( For more details of these and other tax changes see both Peston, 2005, and Robinson, 2000). But, for most of the time, Brown was reluctant to be seen as a tax raiser. He was, however, a substantial tax innovator, notably via the creation, and later extension, of tax credits, meant to reduce poverty among households with young children, and pensioners.

The big exception was the decision announced in the spring Budget in 2002, though taking effect a year later, to raise the national insurance contributions paid by both employers and employees. This amounted to a substantial rise in taxes and, for employees, had the same effect as an increase in the basic rate of income tax.. Blair and Brown were evasive on this issue during the 2001 election. But Brown announced the increase specifically to pay for an increase in the NHS Budget which he claimed was justified by a report by Sir Derek Wanless, a former chief executive of NatWest which pointed to a large funding gap and ruled out alternative methods of funding health. It was only because of this specific link to the NHS that enabled Brown to announce the increase in tax. As Peston ( 2005, p 274) noted, the move would ‘challenge one of the great givens of British politics since the advent of Margaret Thatcher in 1979, that direct taxes could not be increased in an explicit way without wrecking huge damage to the governing party ( although they could be raised in inconspicuous “stealthy” ways, by abolishing allowances or failing to raise thresholds). It was the first proper test of whether voters now had confidence in a British Government to spend their money wisely and Labour’s sustained lead in opinion polls suggests that they did ( can do) have that confidence’.

The key issue is not about taxation as such but about whether the public believes that the money is being well spent. That was the initial, favourable public response to the 2002 announcement and the 2003 tax increase. Tax was a neutral issue for Labour at the 2005 general election, partly also because voters did not believe Tory tax promises. However, voters became increasingly sceptical about whether the rise in taxes was being well spent . So, as repeated polls showed after 2005, there were increasing doubts about the effectiveness of the increased public spending, and complaints about waste etc, and these affected attitudes to taxation as more people felt that taxes were too high. The crucial relationship was from attitudes to spending to views on taxation. One consequence that the Tories recovered a lead, for the first time since 1992, as the best party on taxation.

In marked contrast to the Thatcher years, international influences had a much greater, and growing, impact on tax decisions by Brown. Howe and Lawson had often referred to international comparisons of tax rates, largely to justify cuts in the top rate down to European levels. But there were not specific international pressures, as there have been since 1997. First, these have appeared in EU pressures to harmonise tax policies as part of the single market. Brown has strongly resisted extensions of EU competence over taxation, whether corporate or over savings (the latter involving a long battle over withholding taxes). Second, Brown believed that taxation was an important part of competitiveness in a globalised world of mobility not only of capital but also of skilled workers, entrepreneurs and investors. This applied particularly to Britain in view of the growing success, and importance to the Treasury and the economy, of financial services and the City. Hence, Brown became sensitive to arguments that measures might encourage bankers to leave Britain and invest elsewhere. These international pressures affected both higher rates of taxation and measures particularly affecting the City and foreign workers and investors. This was seen during the winter of 2007-08 in the arguments over the taxation of non-domiciles, foreigners who worked in Britain but chose not to be resident here for tax purposes. The threat that some might leave led to a modification of the proposals.

Throughout the Brown decade, the key decisions were made in the Treasury, and generally only amongst a small circle of advisers and officials around Mr Brown himself. For much of the time there was little communication with 10 Downing Street, let alone the rest of the Cabinet, or with Parliament, despite some moves towards greater openness noted below. At times, Blair acted as a voice of business arguing against measures that might deter investors and in reinforced Brown's instinctive resistance to raising taxes.

These episodes underline not only the importance of the executive/Treasury, as argued in the Alt/Preston paper (though with qualifications noted below), but also the significance of the tax/public spending interaction. It has not just been the public's views

of taxation, but more important has been the view of how money is being spent. The paper's description of a dominant Treasury has largely been correct. What a Chancellor of the Exchequer wants, he can usually get. But a number of important qualifications need to be made. First, it should not always, or automatically, be assumed that the Treasury and the executive are the same. It is impossible to discuss this subject without, as noted above, considering the role of particular Prime Ministers and Chancellors. As I have argued, these relationships substantially affect the making of tax policy: for instance, the retention of mortgage tax relief throughout the Thatcher years; and her insistence, against the wishes of the Treasury, in pressing ahead with the replacement of rates by the poll tax. In the New Labour decade, Gordon Brown had almost, but never entire, control over tax policy.

Moreover, it is misleading to brush aside the role of Parliament. The sentence on page 3, "the power of patronage is a major reason why large legislative majorities also tend to be cohesive, with Government bills almost always being passed by a subservient House of Commons", is an over-simplification. The role of Parliament on tax policy is unquestionably secondary, but it is not entirely insignificant. Parliamentary majorities are more cohesive than in federal system, notably with the USA with its formal separation of powers between the executive and the legislature. But this is as much because of party and ideological loyalties as because of the power of patronage. The collective self-discipline of party, and agreement with the thrust of most measures proposed by the Government, is why the MPs of the ruling party vote for budgets and finance bills. Moreover, as Professor Philip Cowley has shown, the image of a "subservient" Commons is now out of date as both the frequency and scale of revolts by Government backbenchers has increased sharply over the past decade, though admittedly less on tax than on other measures ( see [www.revolts.co.uk](http://www.revolts.co.uk)).

Moreover, the assertion, also on page 3 of the paper, that "Parliament finds it difficult to provide effective scrutiny of tax measures, and measures are nearly always enacted unchanged in the annual finance bill that follows the Budget, and the House of Lords fails to provide any scrutiny at all " is factually wrong in several important respects. It is

correct that parliamentary scrutiny of tax proposals is inadequate, for reasons discussed below, but such scrutiny does exist, both in the Commons and the Lords, and has become more noticeable in the last few years. It is also inaccurate to claim that “measures are nearly always enacted unchanged”. The proposals announced in a Budget in March are often amended by the time the subsequent Finance Bill becomes law the following July, and even on occasion between publication of the bill and its enactment. This is, admittedly, very seldom because of pressure from MPs or the Opposition as such, and is invariably because of broader political pressures or representations by specific interest groups to the Treasury or HM Revenue and Customs. In most cases, the result is detailed amendments, rather than major changes, or the abandonment of a measure. The committee and report stages of the annual Finance Bill are the occasion for such amendments, seldom the cause of them.

The main omissions in the institutional discussion are about the role of the Pre-Budget Report, the subsequent inquiries by the Treasury Select Committee of the Commons; the post-Budget investigations by the House of Lords Committee on Economic Affairs; and the many inquiries by the Treasury Committee and the Public Accounts Committee of the Commons into the administration of the tax system, and particularly the serious difficulties with tax credits.

The Pre-Budget Report in the autumn, initially often dubbed the green budget, has been intended not just as a half-yearly review of the state of the economy and an updating of economic forecasts, but also as an opportunity to consult on proposed changes to the tax system. Consultative papers would be produced, and at times draft clauses, ahead of the annual spring budget. For instance, the Commons Treasury Committee, in its report of January 2007 ( House of Commons paper 115, session 2006-07), discussed not only the broad outlook for the economy and for public finances, but also delays to improvements in the tax credits regimes, climate change and environmental taxation, missing trader intra-community fraud, and taxation of alternatively secured pensions, amongst other taxation issues. The committee noted, however, that “it is important that the Pre-Budget Report retains a focus on consultation on fiscal measures that may be

included in the forthcoming Budget. Although the 2006 Report is accompanied by a considerable volume of material on technical tax changes, there is less discussion on more substantive tax measures under consideration in the Budget". The Treasury committee's report on the 2007 Pre-Budget Report in late November 2007 ( House of Commons paper 54, session 2007-08) contained lengthy discussion of the many taxation proposals which had been announced, notably the proposed major reforms to capital tax, the changes to inheritance tax thresholds, and the new rules for non-domiciled taxpayers. There was lively, and lengthy, debate in the Commons on each of these major tax changes, even though the objections and concerns of outside business and industrial bodies carried more weight in Whitehall, as noted above.

The role of the Lords Committee on Economic Affairs has been controversial. The Treasury has resisted the incursion by the Lords into issues traditionally the prerogative of the Commons, especially when a sub-committee was set up in 2003 to cover technical issues of tax administration, clarification and simplification, but specifically not rates or incidence of taxation. This was intended to avoid encroaching on the financial privileges of the Commons. The Lords contains a number of experts in these areas and its reports are timed to appear before the report stage of the Finance Bill in the Commons, allowing amendments to be tabled. This has, however, proved to be a hurried and unsatisfactory process. The Treasury has at times resisted questioning by the committee on the grounds that ministers are accountable to the House of Commons where the substantive provisions are debated. ( The Lords holds a formal debate on the Finance Bill but cannot amend it.).

Parliament is more effective in examining the implementation of policies. There have been several inquiries by the Public Accounts and Treasury committees of the Commons into the working, and many administrative failures, involved in the tax credit system, notably the repeated over-payments and therefore cost overruns.

However, the overall inadequacies of current parliamentary procedures for scrutinising financial proposals, both on the expenditure and taxation side, were authoritatively examined in a report by the Hansard Society ( Brazier and Ram, 2006).

This report followed lengthy consultations both within Parliament and with practitioners.

Amongst its main conclusions on the taxation side were that:-

. in the period between the Pre-Budget and the main Budget, parliamentary committees should take expert and public evidence on the government's plans, make a case for the priorities it wishes government to consider, and ensure the government provides full information and explanation for its proposals

..the entire Finance Bill should be subject to pre-legislative scrutiny by a parliamentary committee.

. alternative options for reform include: the establishment of separate Tax Administrative or Taxation Committees in the House of Commons or a Joint Committee on tax Administration, In addition , a Tax Law Commission could be established to overview the effectiveness of tax legislation and make proposals for change.

Many of these proposals have been echoed by George Osborne, the Shadow Chancellor, who has urged the publication of more information on technical tax changes at the time of the Pre-Budget report in the autumn, as well as allowing time for greater scrutiny by a new parliamentary committee which would hear evidence from tax specialists. This is among the ideas being examined in detail by a group headed by Geoffrey Howe, in turn echoing a speech along similar lines he himself made as Shadow Chancellor in the late 1970s.

Nonetheless, the Alt/Preston paper is substantially correct about the institutional balance in tax policymaking; and about the disconnected nature of the tax debate. The focus on headline rates of income tax has both obscured rational discussion of tax options and distracted attention from other tax changes, and the steady rise in the tax burden since the early 1990s. My qualification is over the paper's discussion of a 'passive' movement to right which is based too much on thin survey evidence and does not take sufficient, or even much, account of what has actually happened. The paper's solutions are a mixture of the sensible on parliamentary scrutiny ( reflecting those already made by a wide range of bodies inside and outside Parliament itself) to the slightly naïve, about establishing

‘some kind of body to oversee the public finances’ directly accountable both to Parliament and the executive. The authors do not consider whether there is a conflict of accountabilities here.. There is certainly case for greater transparency, auditing and accountability, but tax decisions cannot be taken out of politics. They are the stuff of the party battle.

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