The Institute for Fiscal Studies

The loss of my Lincoln seat in October 1974 was the end of my active role in party politics for the next twenty-two years. I stood twice as a candidate for the SDP/Liberal Alliance, at a by-election in Peckham in 1982 and in Dulwich in the 1983 general election, not because I was desperate to return to the House of Commons but because I felt I should do what I could to promote the Alliance when it became a reality, since I had argued the need for a new Liberal/Social Democratic party since 1973. It was never likely that I would win either seat and I was not upset to fail.

Even before the spectacular events in Lincoln, while I was still a Labour MP I had already become involved in a new career, launching the Institute for Fiscal Studies. At first, after I had left the Treasury because of Labour’s defeat in 1970, I spent several months in rather aimless contemplation about what to do next. I was warned I would suffer withdrawal symptoms on leaving ministerial office and the loss of office was indeed a blow, because life in the Treasury with Roy Jenkins and my colleagues had been deeply satisfying, often exciting and fun, while the prospect of returning to life as a backbencher with all its frustrations was
a bit like exchanging a role on the West End stage for a walk-on part in provincial rep.

My former chambers approached me to return to the Bar. (Many ex-ministers who were former barristers often did return in those days.) I rejected the idea for several reasons. The law had changed substantially since I left it and I had not only forgotten what law I knew, but would have to learn a lot of new law. Secondly, Privy Council work had shrunk. Partly as a result of a number of cases (like the plot against Mrs Bandaranaike) in which we had won victories against Commonwealth governments, countries like Sri Lanka and Nigeria had abolished the jurisdiction of the Privy Council over their courts. Thirdly, I did not want to repeat the strenuous life of combining Parliament and the law. Finally, I doubted whether, after the excitement of being a minister, I would find legal practice sufficiently satisfying. But what should I do instead?

Janice complained that while she went out to her wholly absorbing work in scientific research, my first two weeks before the new Parliament reassembled were spent lying on the sofa watching Wimbledon all day. I toyed with the idea of buying a boat in the Mediterranean to charter out as a business proposition. Sailing was my favourite relaxation, though not always relaxing in a gale, but the plan was of course a pipedream. Running a private charter boat is a precarious business at the best of times and a hopeless venture for an MP, especially one with constituency problems.

My next thought was to write a biography, an occupation that has kept several MPs harmlessly occupied and has even enhanced some reputations. I thought Sir Stafford Cripps might be one possible subject, as he had always fascinated me. He had
been a passionate and incorruptible leading figure in the Labour Party in the 1940s and, from 1947 to 1949, a successful Chancellor of the Exchequer at a time of economic crisis, who had lacked an authoritative chronicler. Roy Jenkins rather encouraged me, though he warned me that Cripps’s widow had all his papers and would not easily part with them. Then I reflected that the central driving force in Cripps’s life had been his Christian faith (Churchill once said of him, ‘there, but for the grace of God, goes God’) and that probably disqualified me, a non-believer, as a sympathetic biographer.

Another idea I flirted with was a critical study of Eisenhower in Europe, where he had a high but, I thought, undeserved reputation that needed to be reassessed. From a rather superficial impression of his career, I believed that, although there was no doubt about his charisma, his victory in Europe had been largely due to his generals, while his lack of political nous and experience had led him to trust the good faith of the Russians and stop the allied advance to Berlin at the Elbe. If he, not the Russians had captured Berlin, as he could have done, the map between democratic West and Communist East Europe would have been drawn much further east. My view of him was also influenced by Robin Day’s account of meeting him when Robin was on a debating tour of the US and Eisenhower was President of Columbia University. In a private conversation Eisenhower declared that he planned to get the best brains in America to draw a definitive line to mark clearly where capitalism ended and socialism began! It was also reported, I suspect maliciously and wrongly, that he had been horrified to learn that half the American population was of below-average intelligence.

Very soon after I started research, however, I found that
Eisenhower’s contribution to Allied victory had been central to success. He was a profound student of military history and concluded that the greatest weakness of military operations by Allied armies was always the link between them. In an operation as complex and hazardous as the invasion of the Continent, with commanders as egocentric as Montgomery and Patton, and with the risk of destructive rivalries between the British and Americans, an integrated Allied command was vital to avoid mutual mistrust and muddle. No one else could have achieved this as successfully as Ike did, using his extraordinary personal charm. As for halting at the Elbe, that was not a military but political decision agreed with Stalin by Roosevelt and Churchill at Yalta in February 1945.

The more I learned about Ike, the more I admired him. But I decided there was no point in another book singing Eisenhower’s praises. In recent years there has been a general reappraisal of Eisenhower’s presidency, giving him high marks for common sense, judgement, moderation and for his consensual approach. Joseph Nye, in his comparison of the record of different Presidents in foreign affairs, rates Eisenhower as one of the best, not only as more effective than most of his peers in extending US power but also more ethical in how he went about it.† Unlike most Presidents, who are unstinting in their praise for the military, he warned about the dangers of the military-industrial complex and told military advisers who advocated use of the atom bomb during the crises in Korea, over Dien Bien Phu in Vietnam and when conflict blew up in the Taiwan straits, ‘You boys must be

crazy.’ In any case, my local difficulties in Lincoln would have left me no time to do the necessary research for a biography.

I received two offers for jobs, as already mentioned, that were superficially attractive. The first was to become special adviser to the Police Federation, a post held by Jim Callaghan until 1964, when Labour became the government, and then by Eldon Griffiths until 1970, when he was appointed a junior minister in Heath’s government. The second was to be a non-executive director of the security firm Securicor, my former employer when I was a night-watchman. I rejected both, as they wanted me to be their parliamentary representative, which I believed would conflict with my duty as an MP.

Then, out of the blue, came an enquiry from a group of professional people: was I interested in launching a new institute? Merchant banker Will Hopper, investment trust manager Bob Buist, stockbroker Nils Taube and tax consultant John Chown had been appalled by the history of the Finance Act of 1965. Soon after the 1964 election, James Callaghan, the new Chancellor of the Exchequer, made a speech announcing his plan to make far-reaching changes in the tax system, including the introduction of a capital gains tax and a fundamental reform of corporation tax. They felt the proposals had been ill-thought out. Subsequently they were dismayed to find, in John Chown’s words, ‘the same half-baked proposals rehashed in the Budget speech, and the Finance Bill, when published, read as if the draftsman had simply been given the Callaghan speech and been told to turn it into legislation.’† The four met for a
weekend and later wrote ‘A Charter for the Taxpayer’, to which The Times devoted a whole page in April 1967. They added solicitor Jeremy Skinner and accountant Halmer Hudson to their group and subsequently established the Institute for Fiscal Studies as a company limited by guarantee.

The declared aim of the institute was to change British fiscal policy or, more specifically, ‘to alter the climate of opinion within which changes to the British tax system were considered; to improve the procedures by which changes in the tax system were effected; and to help create a more rational tax system.’† But how was this aim to be achieved? They had no money, no patronage, no staff and no track record. There were obvious problems in attracting high-quality staff without a track record and no chance to establish a track record without high-quality staff. Who would back the IFS without either? After the 1970 election, they decided that, as an ex-Financial Secretary, I was a suitable person to approach to be its first director. They offered me a modest salary from their own resources, guaranteed for a year, and asked me to launch the new institute.

At first I was uncertain. Despite my Treasury experience, I was not a tax expert or an economist and the task was completely different from anything I had ever done before. I was also not sure how interesting the job would be. Everyone is affected by tax but, as The Economist once observed, few subjects match tax reform for economic importance and utter lack of sex appeal. Or in the words of David Lipsey: ‘Detailed tax policy is a subject for nerds.’‡

I decided to accept the challenge. There was, in my view, an urgent need for a centre of independent expertise in tax

† Ibid., p. 5.
administration as well as in tax law and also in the interaction between tax and public spending. Much as I admired the dedication and intelligence of the top civil servants at the Inland Revenue, if they disliked a proposed reform – and they often did – they could prove conclusively that the administrative difficulties were insuperable, and unfortunately their objections were often justified. My suggestion that we should look at the merits of a wealth tax was a good example. Few proposals for tax reform properly considered the practical problems. There was a yawning gap between the knowledge of administrative and practical detail possessed by the legal and accountancy professions, and the expertise of academics interested in economic effects, who often had little time for, or interest in, the finer problems of administration.

Furthermore there was something radically wrong with the way proposed tax reforms were transformed into law. Many details of fiscal legislation were in my day debated in the middle of the night when MPs and ministers were exhausted; few MPs understood its complexities. The more that opposition spokesmen were baffled by a minister’s explanation of some intricate clause in a Finance Bill, the more effusively they would congratulate him (seldom a her in my day) on the lucidity of his exposition. In 1998, in a debate in the Lords about improving our tax laws, a former Conservative Treasury minister recalled one occasion when he was congratulated by his opponent on the clarity of his exposition, only to receive a note from his civil servants: ‘Minister, your explanation was of the wrong clause.’ No one noticed.

Much tax legislation used to be contained in schedules to bills. During discussion of one proposed Finance Bill when I was in
the Treasury, Roy Jenkins said he wanted a short Bill and was disturbed to find that some particular technical tax changes were long and complicated. ‘Well,’ he was advised, ‘you can always put them in a schedule.’ So we did. A schedule is hardly ever properly discussed in detail. In fact, there is an apocryphal story that when the unhappily married town clerk of Birmingham was responsible for drafting a long Bill on water management at the end of the nineteenth century – a time when divorce was rare and very expensive – no one noticed that a minor paragraph of a long schedule contained the words: ‘And the marriage of the town clerk of Birmingham is hereby dissolved.’

Lack of transparency was another major weakness. Before the IFS was established, the contents of the Budget were a closely guarded secret until their dramatic revelation in the annual ritual of the Budget Speech. There was little prior consultation or public discussion, no IFS Green Budget. Tax policy was also kept separate from decisions about expenditure. Consequently the whole system of tax and spending was in an appalling mess. Some social and economic objectives were pursued through grants and subsidies; others by tax allowances. The result was one full of contradictions and inconsistencies because each provision was proposed and debated with little if any regard for its effect on the system as a whole.

For example, after a popular campaign championed by MPs, a special tax allowance was introduced for the blind. Everybody cheered. But what about the deaf? Were they less deserving? If an allowance for the deaf, what about the lame, or other categories of the disabled? Moreover tax allowances benefit high-taxpayers most and non-taxpayers not at all. A tax allowance that reduces taxable income by £1,000 benefits someone...
liable to a marginal rate of 45 per cent by £450, someone with a marginal rate of 20 per cent by £200 and provides no benefit at all to someone who pays no tax. Grants which are tax-free benefit every beneficiary equally; grants which are taxable give most help to those least well-off. Thus grants or benefit payments are a much better way of helping people you want to help.

A plethora of allowances and exemptions also complicate the system, creating massive opportunities for tax avoidance. In the 1970s this was especially true of savings. The yield on savings for basic rate taxpayers varied enormously, depending on the kind of savings they chose or were advised to choose. In some cases they would receive two-fifths of the real yield on the underlying investment; in other cases four times that yield. If the saver was able to invest through a tax-free pension fund, the range of return was even greater, up to six times the basic yield. These anomalies were only understood by masters of the Eleusinian mysteries that enveloped the taxation of savings.

Furthermore the greater the complexities of our system, the larger and more lucrative the tax avoidance industry becomes. Each year, two vast armies, staffed by officers of great talent and infinite ingenuity, clash in a battle of wits over the Finance Bill. Before the Budget, the staff officers of the Inland Revenue seek to shore up their defences wherever their opponents have discovered particularly significant loopholes in the previous year. After publication of the Bill, accountants, solicitors and barristers probe the new defences and nearly always discover new weak spots. The whole exercise is almost as unproductive a use of top-class brains as the City’s efforts to invent ever more sophisticated financial instruments to make ever higher profits.
with little apparent public benefit – indeed often with disastrous consequences for everybody.

For all these reasons, I was convinced of the need for a new institute, but what were the prospects of financing it? I asked advice from some senior civil servants and a few industrialists I knew and they were mostly discouraging. However, after much thought, I was confident that we could persuade some potential backers. Supplied by my new friends in the tax world with a wealth of persuasive arguments, I found I was able to convince a number of captains of industry that it was worth providing the starting capital for our new institute, with its aim to promote a more rational tax system. A wholly rational tax system is, of course, an impossible dream because in the real world political pressures will always distort the best-laid schemes of the wisest counsellors. Just as the greatest happiness of the greatest number will always prove a mirage while the least misery of the smallest number is a more realistic target, the most we can hope for is to mitigate as many of the inefficiencies and harmful effects of the tax system as possible. That does not mean that the less we tax, the better, but that we should tax in a way that is as effective as we can make it to achieve our social and economic aims.

In retrospect, I believe I made three important contributions to the success of IFS: by successfully promoting the launch, by setting up the Meade Committee and by persuading John Kay to be its first professional director.

The launch, in 1971, and its follow-up went well. At that stage we were in no position to obtain funding from grant-making foundations, so funding from industry was the only hope. Marks and Spencer was the first major company to prime our pump. They not only gave us £2,000 (worth nearly £30,000 today) but
encouraged other companies to follow suit, though mostly for smaller sums. I vividly remember a gathering of major suppliers to M&S, invited by that great and good man Sir Marcus Sieff who was then its head, to hear me make my pitch. I am not sure the attendance was entirely voluntary. At any rate, after I finished Marcus announced that we were a good cause, M&S was supporting us and he hoped others would follow suit, and then glared at the audience of his suppliers, not without a hint of menace. Sheepishly, rather nervously, they glanced at each other and, one after another, hands slowly went up. The subsequent actual offers of support were modest – a few hundred pounds each at the most – but still a handsome haul for a penniless institute. Other major companies also made substantial contributions.

There was a slight hiccup at the start. In 1970–71 the BBC ran a series of television trials of current affairs issues. It was in many ways the forerunner of the Radio 4 programme *You the Jury*. In the TV trial, each side called four witnesses instead of two and the jury itself was not the audience but was composed of thirty law-students. Neither advocate knew in advance whom the other side would call as witnesses. I was asked to suggest an economic subject and to be one of the advocates. To their surprise, I said I would like to oppose the motion ‘that direct taxation should be reduced’. Was I a masochist? Surely no motion could be more popular? I persisted, perhaps partly to show that the nascent IFS, at that stage entirely dependent on business support, had a director who would not be a lobbyist for minimal taxation or the special interests of business.

The debate went surprisingly well. I argued that while direct taxation should be reformed, because I did not defend the current, absurd, top marginal rate of 83 per cent, a high
standard of public services was essential to a more civilised and equal society, that this implied a substantial level of taxation and that direct taxation was the fairest form of tax.

It was the former chairman of the Conservative Party, Sir Edward du Cann MP, who had proposed the motion. Two of his four witnesses whose evidence I remember were Sir Paul Chambers, the chairman of ICI (Imperial Chemical Industry), then one of Britain’s most successful companies, and Ludwig Erhard, the Finance Minister and later Chancellor of West Germany, who had been the architect of the post-war German economic miracle. I managed to get Sir Paul to agree that he loved his job, that he was successful at it and that he could not work or try any harder than he was doing now. So would he be more devoted or more successful if he paid less tax? He had to agree he would not. But was he suggesting that this was only true of someone as dedicated and public spirited as himself, while other managers in industry were more selfish and greedy and would only do their job properly if they paid less tax? He seemed to have some difficulties with the answer. As for Ludwig Erhard, fortunately his evidence (given by radio interview in the days before international interviews by television) was something of a farce. His English was poor. He admitted that Germany’s position was quite different, because they had had the huge advantage of little or no military expenditure, and that he knew little of the special problems of economic management in Britain.

My witnesses were Des Wilson, Director of Shelter, and a great social campaigner of the day; Kenneth Mellanby, an eminent ecologist; Gunnar Myrdal, the famous Swedish economist; and a dour, little-known Scottish economist, Chuck Brown, who turned out to be my star witness. He had made a thorough study
of incentives and found, as most academics know, that taxation has two opposite effects on effort: some, do less work, if they can afford to do so, because they value leisure more. Others work harder because they need the extra money. Most people seem to be unaware how tax incentives work. One example was that of the lawyer who complained bitterly about the disincentive effect of high taxation. To enable him to achieve a decent standard of living, high taxes forced him to work eighty hours a week! The man I hoped to be my most impressive witness, Gunnar Myrdal, was not much more effective than Ludwig Erhard, because evidence down an audio line has less impact than evidence in person.

I lost by fifteen votes to fourteen, which I regarded as a victory. We met the jurors for drinks afterwards and one of the jurors told me he did not press his voting button strongly enough, which would have made it fifteen all. However, some IFS supporters greeted my performance with well-concealed enthusiasm. It certainly shook some of the IFS founders, who wondered if by mistake they had recruited a fanatical egalitarian, bent on turning Britain into a Scandinavian social democratic paradise. I should add that I do accept that very high tax rates have harmful effects – they lead to tax avoidance and evasion and distort behaviour in all sorts of undesirable ways. But I also believe that the harmful effects of high taxes are overstated – high tax Nordic countries such as Denmark and Sweden are among the most contented, civilised and prosperous countries in the world. Moreover, the argument I used against Sir Paul applies strongly to the current popularity of bonus payments, for good performance as well as bad.

The debate was soon forgotten and it did not prevent IFS making steady, if slow and unspectacular, headway. We recruited
a secretary and a research director, Thelma Liesner, a Cambridge economist who supplied the economic expertise I did not have and who deserved most of the credit for our progress in the first few years. We published a number of papers on a variety of subjects such as corporation tax,† the taxation of wealth and inheritance, and the black economy. They were commissioned from outside experts, because a new institute did not have the reputation to attract first-class academic staff. If I had been less distracted by events in Lincoln, progress would no doubt have been faster.

In 1974 I reached the conclusion that to make a significant impact we had to be more ambitious. We needed a big idea. Since the fundamental weakness of our tax system was the failure of reformers to look at the system as a whole, I decided we needed to set up a high-powered authoritative commission to examine what a good system would look like if we started from first principles, with a blank sheet. There was a precedent. In Canada, Kenneth Carter had been appointed in 1962 to do precisely that and his commission’s report, published in 1966, seemed to have made a big impact.

The reaction of the IFS executive committee was enthusiastic. My first task was to find the right chairman and, fortunately, I managed to persuade Professor James Meade to accept. He had just completed a major project and was wondering what to do next. James was a wonderful man. In an obituary he was described ‘as one of the greatest economists of his generation, [who], more than anyone since John Maynard Keynes, influenced the way

† John Chown’s *The Reform of Corporation Tax* was our first publication and was written before the launch of the IFS.
in which economic policy is now discussed in Britain."† James wrote with a beautiful simplicity, which could disguise the depth, and sometimes the complexity, of his ideas. He was profoundly modest and even diffident. When his ideas were challenged at a public meeting, he would often confess that he might be wrong. This would obscure the tenacity and determination with which he pursued them, often dismissing all criticism.

He was also a man of infinite patience. He once told me that since he and his equally wonderful wife Margaret liked to read books together, he would read them aloud. I asked whether this might sometimes be tiring. He confessed that during a reading of David Marquand’s majestic life of Ramsay Macdonald, which he had just completed, when a passage started with the words, ‘This incident needs consideration in greater detail’, his enthusiasm would sometimes flag (though at some 800 pages, the book is not in fact unconscionably long for a biography). I first met James at a conference about a year earlier and, to my great delight, he told me that he had strongly supported my stand as an independent in the Lincoln by-election.

The idea of the IFS project appealed to him and he started work on it at once, even before the members of the committee had been recruited. A few months afterwards he confessed to me that on reflection he felt appalled by the enormity of the task I had asked him to undertake, especially as he had recently been seriously ill and was now seventy years old. Nevertheless, he persisted and his role was basic to the committee’s success. He wrote most of the report himself but he was supported by an exceptionally talented group of colleagues whom I persuaded

to join the committee. Several had already taken part in earlier activities of the IFS. A vital role was played by the deputy chairman, Donald Ironside, who organised the work and acted as chairman during the discussions so that James Meade could concentrate on arguing for his ideas. Ironside was later voted ‘Accountant of the Year’, an annual award given by a special committee of the Chartered Institute of Accountants, for his special contribution to the Meade Committee in translating the language of accountants and tax lawyers into language intelligible to economists, and vice versa.

I was also fortunate in my choice of young economists. John Flemming, the best-known, was appointed chief economist at the Bank of England soon after the committee reported. The next in seniority was a young economist in his mid-twenties whom I had got to know after the Lincoln by-election because he was interested in promoting new approaches to economic policy and thought I might be a useful spokesman. I thought he would be an asset to the committee – he was Mervyn King, later Governor of the Bank of England. He in turn recommended an even younger Oxford economist, John Kay.

John Kay proved the most influential member of the committee after James Meade. When we held a series of well-attended seminars after the report’s publication, James would deal with the more difficult questions by saying: ‘I think John Kay should answer this question.’ John and Mervyn King would later write their own version of the Meade report: *The British Tax System*, which is a surprisingly readable book on tax.

The committee reported in January 1978, little more than two years after its establishment. I had originally asked them to report within twelve months because I envisaged a report on
general principles, fearing that a detailed examination of tax reform would take many years. A Royal Commission on the Taxation of Income and Profits had reported in 1955 after many years’ labour. To limit the scope of their studies, the committee decided to look at direct taxation only, as it felt that general recommendations about the system would be of limited value, or would carry little conviction, without an examination of the administrative problems that its recommendations might raise or solve. To take only two years was therefore a triumph. We prepared the launch of the report meticulously with elaborate private briefings of editors and specialist commentators, and as a result its publication received more publicity than most Royal Commission reports. The Financial Times devoted five pages to it, including one full-page summary of its findings and an editorial that described it ‘as a radical analysis of the British system which has long been needed’. James Meade had also just been awarded the Nobel Prize and he received a special telegram from President Carter congratulating him on his well-deserved reward for his work on tax. The prize was for his work on international trade many years earlier, but at least it showed that the fame of the Meade Committee had spread abroad.

The report proposed to replace income tax, with its complex different exemptions for savings, by a much simpler expenditure tax, not to be confused with VAT. A person’s annual income would still be the basis for tax liability, but all forms of savings and investment would be deductible, while all forms of dis-saving, such as sales of property or shares or realisation of life insurance, would be taxable as part of income (less, of course, any amount reinvested). Result: you would be taxed on what you spent. Corporate taxation would be based on cash flow rather
than profits. The committee argued that the system would result in a drastic simplification, sweeping away the need for a capital gains tax and special rules for close companies, trusts and various savings institutions, which were a bane in the life of those affected at the time. The committee also proposed a radical reform of social security, to abolish the ‘poverty trap’ and cut the high marginal rates paid by those on benefits as their income rises. (These reforms were perhaps a more carefully thought-out version of the changes in the welfare system proposed by the coalition government of 2010.)

The committee’s central proposal for an expenditure tax has never been implemented, though some of its particular proposals have been. For example, some of the worst anomalies of the taxation of savings have gone. The nearest the expenditure tax ever came to realisation was when I persuaded the SDP National Conference in 1984 to adopt it, but it never made the Alliance manifesto of 1987, and in any case the Alliance came nowhere near forming a government. Thirty years after the publication of the Meade report the IFS felt another look at what would make a good tax system for the twenty-first century was needed. Alas, the Mirrlees Review found the system was still the product of often incoherent changes rather than strategic design. So it goes, and given the intensely political nature of tax issues, no doubt it always will. However, the Meade report has proved, as I said in the report’s preface I hoped it would do, ‘a rich quarry for tax reformers and a valuable reference point for students of taxation for decades to come’. It also firmly established the reputation of the Institute for Fiscal Studies.

The progress that followed was due to my third major contribution: to persuade John Kay to become its director, while
I became chairman. I was told he was already in the running for a prestigious university chair but I argued IFS would be a much more exciting choice. We were beginning to raise serious money. The Meade Committee had been financed by major grant-making trusts and foundations, such as the Gatsby Trust and the Esmeé Fairbairn Foundation who were impressed by the result and were now ready to fund other projects. Finance from companies was boosted by a meeting of top chairmen and chief executives, sponsored by the Governor of the Bank of England, Gordon Richardson (later Lord Richardson of Duntisbourne), who strongly supported my appeal for funds. I could therefore offer John the promise of being able to recruit high-quality staff of his own choice and plan his own programme of research. He would be able to develop closer contacts with industry, government, the press and the world outside in general than as professor in any university. IFS would also guarantee, indeed would require, complete independence. Fortunately, and I believe wisely, John accepted and was the first of a series of very able directors, noted for their success in the media as well in academe, who have made IFS what it is today. In due course he was succeeded by Bill Robinson, Andrew Dilnot, Robert Chote and now Paul Johnson.

John Kay recruited a group of top university talents, most of them very young. One of them started work for IFS during the vacations when he was still an undergraduate. He looked about fifteen years old. He was Andrew Dilnot, who proved, when he later became director, no less eloquent on television in explaining the intricacies of tax than John himself. John managed his young staff well because they admired his academic ability, the scope of the research programme and his exceptional
eloquence and wit, in speech and on paper. He is one of the cleverest people I know and what I admire most is his immunity to conventional ways of thinking about almost any topic. Not that he is without weaknesses. No one could describe him as one of nature’s diplomats. One of my last services to IFS was to act as peacemaker between him and the Director of the Economic and Social Research Council, Sir Ian Byatt. The ESRC are key funders of economic research through the specially nominated ESRC research centres. IFS had been overlooked, despite its high reputation, apparently on the curious grounds that we were good at raising our own money, so we did not need their support. John was furious and said he would resign. I persuaded Ian Byatt that he really meant it, that this would be a tragedy and a scandal, and that it was quite ridiculous for the ESRC not to give its prestigious support to IFS – just because we had been good at raising funds from other sources. IFS has been one of the ESRC’s specially nominated research centres ever since.

Ten years after I had launched IFS I resigned, as by then I had become a rather passive chairman and was making no significant contribution. IFS itself was clearly flourishing. Now it seems to be regarded as the ultimate source of fiscal wisdom, with everyone vying for its endorsement of their claims. I have watched its transformation from the infant I once nourished with a degree of pride and satisfaction. But I believe those who start an enterprise should not hang around too long, and by then my mind was on other things.