

# Overcoming barriers to tax reform

## Alistair Darling



4 October 2019

# Biographical details

## Parliamentary history

2015–present: Labour Member of the House of Lords

2005–2015: Member of Parliament for Edinburgh South West

1987–2005: Member of Parliament for Edinburgh Central

## Government and opposition career

May–Oct 2010: Shadow Chancellor of the Exchequer

2007–2010: Chancellor of the Exchequer

2006–2007: Secretary of State for Trade and Industry

2003–2006: Secretary of State for Scotland

2002–2006: Secretary of State for Transport

2001–2002: Secretary of State for Work and Pensions

1998–2001: Secretary of State for Social Security

1997–1998: Chief Secretary to the Treasury

1996–1997: Shadow Chief Secretary to the Treasury

1992–1996: Shadow Spokesperson (Treasury)

1988–1992: Shadow Spokesperson (Home Affairs)

## **Alistair Darling was interviewed by Gemma Tetlow and Thomas Pope on 4 October 2019 for the Institute for Government's tax reform project.**

**Gemma Tetlow (GT):** So, could we go back to when you first became chancellor in 2007: coming in, what experience had you had of tax policy making?

**Alistair Darling (AD):** I was a minister for 10 years before that, including in what was originally the Department of Social Security, then Work and Pensions. Tax inevitably comes into it because of the very obvious interplay between the social security system and pensions and tax. In terms of actual tax policy, I am not a specialist, but I was a lawyer and as part of training, you have to understand the tax system, its landscape and so on. But like most ministers, when they are appointed, I was a generalist. I was the chief secretary to the Treasury for the first 18 months of our government in 1997, but I was more concerned there with spending rather than taxation, but I was exposed to the workings of the Treasury. But if you are in the Treasury, you can't not be exposed to tax policy.

**GT:** As chancellor, who did you look to for advice and support on tax policy making?

**AD:** I [would] make two points in direct answer to your questions. As chancellor, you have the Treasury and you've got HMRC [HM Revenue and Customs], who between them employ an awful lot of people who know the tax system inside out. But, at the end of the day, you are there as an elected member of Parliament who has become a minister and therefore you are representing your constituents and of course the country at large. You have a feel for what's right, what might work and what wouldn't work. It isn't ever going to be derived solely from the advice you get from your officials; it's rather going to be derived from your own experience and your own sense of things, alongside any advice you receive. An hour spent shopping in Tesco can tell you an awful lot about the workings of the tax system that your officials don't tell you, because people have their views on that. I remember filling up my car many years [ago], when the fuel drivers' dispute was on [in 2000]. You are standing at the filling station, filling up your car, you have conversations with your fellow motorists, and you get a feel for what you can and can't do, say, for example, in relation to raising fuel duties. What you bring to this as a minister is your political judgement, what officials bring to you is the technical advice and know how, so you can then see what options might be open to you.

**GT:** Did you have specific ideas for tax changes when you became chancellor?

**AD:** You may recall about a month, two months after I became chancellor, we had Northern Rock and my chancellorship was dominated by the banking crisis and the aftermath. Clearly, taxation did come in, in terms of rebuilding the economy and so on. But I think any ideas that I might have had about tax reform in the early days were put aside because of one crisis after another. You may recall that we were, for political reasons, forced into looking at the inheritance tax regime, because of what the Tories

had proposed in a [party] conference in October 2007, but I wouldn't classify that as a reform, it was tinkering frankly and it's long since been forgotten by everybody.

Some chancellors, Lawson in particular, made a great thing about how he wanted to reform the tax system and he did make various changes. I would characterise my chancellorship as being dominated by the banking and then the economic crisis that followed that.

**GT: Moving on to the crisis response, if we set aside the short-term Keynesian demand management response, and skip ahead to the longer term, permanent tax increases that were announced to try and get the deficit down after the crisis: could you tell us about how that set of policies was decided on?**

**AD:** There are two ways to look at this. One is what was necessary to finance the boost to the economy, as you say the Keynesian response. And what was necessary in order to bring down the deficit, over what was clearly a much longer period.

I just want to say briefly about the Keynesian response, the short-term cut to VAT and things like the scrappage scheme for cars and so on: all of that had to be paid for and there's two things here – for all of our time in government, and up to now, the sensitivity about the top rate and the basic rate of [income] tax in political terms was acute. We defended the top rate of 40% for many years. Now [post crisis], I had to increase that, firstly [to] 45% and then 50%, where it remained for several years after that. And that was necessary because we needed to bring down the deficit as well as finance the measures to boost the economy. We had to raise money and the choices were between putting VAT up and raising national insurance. I wanted to put VAT up, not in one go, to 20%, as George Osborne did in 2010, but to increase it 1% a year over four years, so that you didn't have an adverse shock to the economy and gave people time to adjust. But [an increase was important] to have a wedge of revenue coming in, and that to me was preferable to putting up national insurance, which looked awfully like a tax on jobs, indeed, it was characterised like that by the then opposition. In the longer term, the higher rate of [income] tax has come down, it came down to 45%, but VAT has remained at 20%, I don't see any sign of that changing.

I wouldn't have put up the fuel tax in response to the crisis because it would be completely counterproductive. We wanted to stimulate demand in the economy, but fuel duty demonstrates one of the problems chancellors face. Since the 1990s, no government has been able to put up fuel tax, despite the fact oil prices have fallen. You may recall at the time when petrol prices at the pump came below a pound for a short period, that would have been an opportunity to raise duties (that could have amounted to about £6 billion/year now). And the government, every year, is forgoing billions of pounds of revenue, which I fully understand, because I have experienced the problem myself, because fuel duty is deeply unpopular with the voters. But, on the other hand, it's a lot of money, never mind the environmental argument as well.

**GT: Taking that example of fuel duties, do you think there is a way, on reflection, that government could put up fuel duty and tackle those public barriers to reform?**

**AD:** Firstly, if you are going to make changes in tax that are potentially highly controversial, you need to prepare the ground. You may remember in the early 2000s, when Tony Blair announced that he wanted the government to spend more on the health service, Gordon Brown went through an exercise, a review – chaired by Derek Wanless (who used to be the chief executive of Natwest) – to examine the funding needed for the NHS and to build a case for increasing national insurance, to pay for the increase in the National Health Service. Thus, the political ground was made for (a) making the case that we needed to spend more on the health service, and (b) that had to be paid for and the best way to do that was through national insurance. So, it worked.

If you want an example of bad policy making, you need look no further than the 2017 general election, when Theresa May announced her plan for care for the elderly, without any preparation, not even engaging her Cabinet colleagues and, as a result, basically everybody piled in against it and that contributed, to quite a large extent, to her loss of majority [in the 2017 general election], not least because [those who felt they] could not afford to pay more money were natural Tory voters. The problem she had was that she had done no preparation but had just assumed that with the poll lead at the start of the campaign she could do it.

The point is, before you make any major tax change or controversial tax change, you've got to prepare the ground. If you go back to the fuel duty, the time to have done it, as I said, would have been when oil prices were falling quite dramatically, because the pump price changes on a weekly basis and a penny here and a penny there. People just accept that you will pay a different price each time you fill your car up. And as long as you are not silly by putting tax up by a very substantial amount, you could have halted the cumulative loss of revenue. Going back to our time, Gordon Brown changed the rates of taxation for two-star petrol (a more environmentally damaging type of fuel), as against that on four star; that's an example of where you can make the case that you are putting up tax on the more environmentally harmful stuff.

You can [reform tax], but you have got to prepare the ground for it. You can't just dump it on people. The only exception I would make to that, [is] in relation to the financial crisis: people understood, I think, why we were putting up the higher rate of tax. Obviously in those circumstances you can't prepare the ground for income tax going up because otherwise people would avoid it. This was also the case with the bankers' bonuses tax. People understand you [put up tax] in response to a crisis, but you do have to be careful that you don't overdo that. But it will always come back to the same thing, the only popular tax in this country is the tax that somebody else pays. You have to be very careful what you do here, and getting the politics right is the most important thing,

otherwise if you really want to, or have to, raise taxes, you will be upended. If you've got a case, you need to make it and, if possible, prepare the ground for doing so.

**GT: Given you said people understand the need for tax change during a crisis, on reflection, do you think you made as good use of the crisis as you could have done for changing the tax system?**

**AD:** I wouldn't say changing the tax system in the sense of structural changes. But I think what we did in response to the crisis was defensible and it certainly didn't meet universal approval in the press coverage we got at the time. But I think in relation to putting up income tax from 40% to 45% and then 50%, that was entirely justifiable because of the principle that people with the broadest shoulders should pay more. Likewise, with the bankers' bonus tax, which actually brought in far more money than we anticipated, was entirely justified. But it was a one-off and that's how it was designed to work.

The overall package of tax and spend got the economy going again by the end of 2009 – though we didn't know it at the time. If you look back, we didn't have the political space or time to do structural reform. That remains an issue today. We've talked today a lot about taxes on income and taxes on spending, but one of the things that successive governments have shied away from, probably entirely understandably, is the failure to tax wealth (the council tax regime is largely unreformed after 30 years). At a time when the demographics in the country are changing, and when we can't touch the fuel duty, for example, and you have to be sensitive about income and spending taxes, your room for manoeuvre is limited. Amending inheritance tax is politically fraught. We are simply not taxing the accumulation of capital that's happened for the Baby Boomer generation, and who are incidentally now the beneficiaries of quite a lot of public spending, which is funded by, generally speaking, their less well-off children and grandchildren.

**GT: Was the taxation of wealth something you thought about changing in 2008/9?**

**AD:** No. I mean, basically in 2008/9 we were almost exclusively looking at how you respond to the financial crisis and economic crisis which took over. The other thing I would say, in pure practical terms and, let's be blunt about it, if you are going to start making big changes in taxation, you do that at the beginning of the Parliament, not at the end of it.

**GT: Can I ask you now a few questions about the set of people who are involved in designing tax policies? The policies that you came up with after the crisis, who was involved in deciding that that was the set of policies that you were going to run with?**

**AD:** It's an iterative process. Throughout 2008 it was obvious that the crisis was going to be greater than people thought. I wrote an article in *The Guardian*, making that point, which wasn't exactly well received. But we were preparing over that summer for that crisis. And as we had discussions with (primarily) Treasury officials (before you get to discuss the practicalities with HMRC). The advice was that we needed to spend more

money to boost the economy, therefore we needed to raise more money over a longer timescale. You think politically, how do you think you can do that? And you mull over these things, you talk to your officials, you talk to your fellow ministers, the prime minister, about what you might do. So that's where the income tax increases came up, and the question of VAT and so on. And then when you decide on that, the Treasury and Revenue officials tell you how you might do that. And with the temporary reduction in the VAT rate to stimulate the economy, there was a lot of discussion about that. The issues such as the importance of having a specified end date for the VAT reduction was critical, otherwise people don't bring forward their spending if they think the lower rate is going to go on forever. So, deciding on the policy response is an iterative process, rather than one where somebody walked in the door and put down a file of papers and said: there's the answer.

**GT: Which of your other ministerial colleagues were involved in those discussions and how were they involved?**

**AD:** They were involved as appropriate. For example, Yvette Cooper, who was chief secretary for a lot of that time, attended. And other junior ministers; if you were discussing VAT, you would have the minister who dealt with VAT. I had a weekend meeting at Dorneywood, the chancellor's official residence in Berkshire, with all the Treasury ministers and we talked about all these issues. So yes, they were involved in it, although the actual big decisions about "are we putting up income tax?", for example, that was taken in a much narrower field and they were largely taken by me and Gordon [Brown]. Our Cabinet colleagues would be consulted on spending that affected them, but not on the overall budget.

**GT: Going back earlier to your time as a spending minister, did you have much involvement in discussions around tax policy when you were a minister in other departments, or is that something very much decided by the chancellor?**

**AD:** Not in a formal sense. You remember for most of our time in government, Gordon and I were very close to each other and he would frequently talk to me about tax changes, not just when I was chief secretary, but throughout our time in government. Clearly on things like tax credits, for example, that [policy] was being developed when I was in the Department for Work and Pensions, and he and I had talked a lot about: "how do you get away from the cliff edge that you get when you come off the benefit system and go into the tax system?". The tax credits, which were designed to smooth that path, that was the product of long discussions, most of them informal rather than formal, it's the way that we operated. Equally, if you look at an example where something went wrong, when the 10 pence tax rate was introduced, I had gone to Gordon saying: "aren't there going to be a lot of losers here?". And you know, anyone who gains from the tax system doesn't say a word, but those who lose only a few pence will certainly let you know about it, and often with very good reason. So, I think a lot of the discussions you are talking about, I don't think they are very different to any other

government. A lot of these discussions take place informally, rather than around a table with a bunch of officials.

**GT: Do you think there is scope for more involvement of other Cabinet ministers in developing tax policy and making the case for the tax changes? Perhaps thinking of the example of national insurance being increased to fund the NHS in 2002?**

**AD:** It all depends on the personnel, frankly. As I have said previously, I think one of the things that Tony Blair and Gordon Brown got wrong was that many big decisions were taken with too few ministers being consulted. Now sometimes that can be justified. To give an example, when the decision was taken to bail out the banking system in 2008, it was only two Cabinet ministers who knew about it, the prime minister and myself. And the reason for that is you could not afford a word of that to get out, otherwise it would have been impossible to control the situation. In relation to taxation, this is primarily the chancellor and maybe one or two others. But, generally, you've got to remember, at the end of the day, whatever the government does, it is the property of the whole government and therefore 20 odd Cabinet ministers have got to go out and sell it, whatever the policy is, and they are much less likely to go out and sell it enthusiastically if the first time they heard about it was when they heard the chancellor announce it in the budget statement. They will accept that some things in a budget framework have to be decided by the chancellor, but more general policy needs collective agreement. But, I think it is a matter of practicality, frankly the way governments work. Every government has this problem, there's always the risk that you involve lots of people, the next minute you get it on the front page of the newspaper.

**GT: Are there any particular examples that you can remember where either that consultation worked to help a policy, or lack of consultation hindered a policy?**

**AD:** I think the 10 pence [starting rate of income tax] issue and one that I was directly involved in, the indexation of the [basic state] pension, which resulted in a 75 pence increase in the state pension, both are examples of where discussions with your Cabinet colleagues would tell you they couldn't sell the policies out on the streets. In relation to the 10 pence starting rate, Jack Straw said to me he had received a couple of letters from elderly constituents saying that we are going to be something like £6 worse off and immediately alarm bells started to ring. Because £6 may not sound very much to some people, but it's an awful lot on a pension, especially if you've got a very modest works pension or something like that. It's gut instinct and, at the end of the day, whatever the government is doing, whatever field it's operating in, you have to ask yourself: what are the voters going to make of this? That's why collective discussion with colleagues can be irreplaceable.

**GT: Now you are sitting in the House of Lords, what role does the House of Lords play in tax policy, either scrutinising what's been done or raising issues that need to be dealt with?**



**AD:** Firstly I would defend to the end the House of Commons' right to raise money and the House of Lords should not interfere with it. What the House of Lords can bring is scrutiny to get the detail right; in other words, not the principle but the detail, and how it's implemented. Something else the House of Lords can do, probably due to the benefit of not having to get re-elected, is we can float ideas. I mean I sat on the Economic Affairs Select Committee, and we've recently done a report on paying for the cost of long-term care for the elderly and people of working age. We came up with the proposal that part of it should be met by the state because there's no way an individual could pay all of the costs. Labour and Tory members alike came up with that suggestion. I think the House of Commons finds it more difficult to reach such an agreement. The classification of student loans is another example which we discussed reform of, the energy market and so on. I think what the House of Lords can do is raise issues which are politically more difficult for the House of Commons select committees. That said, the select committee system in the House of Commons introduced in the early '80s has actually worked very well and especially, I would say, in the last 15 years. They have been going into areas which they wouldn't have dared touched before that. So, I think the House of Lords has got a more limited role in Treasury matters, but it can be useful certainly. What it is quite good at is picking up some of the detail which MPs haven't looked at. Of course, that's not a case for preserving the House of Lords as it is now.

**GT: With your recent report on social care, what sort of impact do you think that has had?**

**AD:** It is now Labour Party policy as I understand it. It's basically what happens in Scotland, it's really the state paying for hotel costs of social care. In every general election, all the political parties have had something about it, but there is no common ground. And remember a large chunk of the electorate is having to deal with this issue, so you have to have something on it. Frankly, the amount of money the Conservatives are pledging to policies I would be astonished if they didn't come up with something similar one day.

**GT: We've talked about some of the challenges and considerations that went through your mind when you were thinking about changing anything to do with tax. Are there any other barriers that you came across and did you find ways of overcoming those?**

**AD:** There's two aspects: there's the politics and there's always the practicalities. Local government finances and business taxes and so on are a case in point, where successive governments have thought: how do we do this? And then: how do we do it in a way that's fair? Every time you look at local government financing, you don't go very far until somebody mentions the poll tax and then you can say: right, well let's leave reform for another day. So it's practical things like rate valuations: can you do that every year or every five years and so on, or a policy which comes around from time to time (which I am not in favour of), like a local income tax, how do you get round the problem of someone who is asset rich but income poor, and they can't do anything about it and so

on? So, there's the practicalities as well as the politics of it. If there was an easy way of raising money for local finances that was pain-free, I dare say someone would have thought of it by now.

**GT: Looking back, is there anything you wish you had known when you became chancellor but didn't?**

**AD:** Obviously if I had been chancellor for three years when there hadn't been a banking crisis and economic crisis, then my outlook would have been different. But it's really impossible to say well, how would it have been different, because something else could have intervened. An example of how events can influence political fortunes was in 2007, HMRC managed to lose the personal details of nearly half the population when they lost two disks with child benefit details on them. Dealing with the fall-out was inordinately time consuming and I suppose it demonstrates some of the problems we encountered in administering the tax system. It's very difficult, when you look back to think what you'd have done, because life's not like that.

**GT: We've talked a bit about public opinion. What role do you think the media plays in shaping, amplifying, reflecting public opinion and contributing to adverse reaction to tax changes?**

**AD:** In the past, what newspapers thought was all-important. I think now with social media it is slightly different, but I am not an expert here and I am not about to tell you how different that is. But take environmental taxation, for example. That's become more of a live issue in recent years and it will be interesting to see how opinion might be moulded through social media as opposed to conventional media. In parallel to that, the influence of the tabloid media is a lot less than it was 20 years ago. That said, a headline in the newspaper may be read by fewer people, but it is read by the BBC and other broadcast outlets and so its coverage is driven by those headlines to some extent. If you look at the fuel tax we have talked about, the media has been very, very effective at opposing an increase in fuel duty. It's a good, popular topic to run a campaign on. You don't get many headlines saying: "to save the planet you have to pay more money to fill up your car". It comes down back to the point I made earlier on, lots of things are difficult in politics, so you have to build your argument. If we just came along in 2001 and said right, we are putting up tax to pay for the health service, without any preparation, you're making a much more difficult sell. So, I think yes, it's important, it's less so than it was, but I think if you are asking a much broader question, does public opinion matter, yes it does. Therefore, anything that influences public opinion matters as well, as much as anything else.

**GT: Did you have specific approaches for handling the media reaction? Did that vary for different parts of the media?**

**AD:** Obviously our approach varied between different newspapers or radio stations and so on – I did a lot more of the non-conventional radio coverage in the financial crisis,

because I wanted to speak to a wide audience, not just outlets the Treasury would have traditionally felt are important – like the FT [*Financial Times*]. So, it depends what you happen to be doing and who you talk to. But it is terribly important, especially if you're preparing the ground, or at a time of crisis you are explaining yourself. It's much more difficult now. I've not been an MP for five years and I never had to contend with the influence [of social media] like Facebook and Twitter. Of course, there was some social media, but nothing like as much as there is now. The way in which you deal with it is completely different to what it was five or 10 years ago.

**GT: Not so long before your time at the Treasury, there were some reorganisations of the policy making role between the Treasury and HMRC, and HMRC had been newly set up as a single entity. Do you have many views on how advice and expertise worked within Treasury and HMRC during your time?**

**AD:** First on HMRC, the first time I focused on this organisation was at the time when the child benefit information went missing. I wanted to find out who was in charge of this information. It was far from clear who was in charge. Indeed, nobody seemed to be in charge. Responsibility was diffuse, there was no direct line of accountability. I think it was designed that way because that's what the then management thought would work.

In terms of policy advice, you know, technically it was fine. HMRC, rightly, jealously guard their independence on tax administration, which I think is a good thing. But on tax policy making, it was integrated, but only to a certain extent. When I met HMRC officials who did policy, it tended to be middle-ranking officials, as you often find in government. Very good, very diligent, very knowledgeable and very helpful. But the senior management of HMRC is constructed different and although they were in the same building, there were times when you wouldn't know it. In terms of Treasury officials, again I didn't have any problems with their advice and in my confidence in them, they worked well. Any mistakes we made, I think, were political mistakes rather than technical mistakes.

**GT: Did the crisis throw up new challenges for the Treasury and HMRC, new questions that they hadn't answered before? How did they rise to that challenge?**

**AD:** They did for the Treasury. As I said previously, when the Northern Rock crisis hit, the problem was there was a skeletal staff that dealt with financial stability, it just hadn't been an issue. I was on holiday when I first read a French bank had wound up three of its operating entities because it wasn't certain of the value of the assets it held, and there were also problems in Germany. I rang back to the Treasury to ask what was going on and the person in charge [of financial stability] was on holiday and there wasn't anybody else. So, when Northern Rock hit, the Treasury was caught very under prepared for it, but fortunately within the hours and days that followed they put together an excellent team to respond to it. The basic problem was that financial stability wasn't thought to be an issue. So yes, they were under prepared as far as that was concerned. HMRC, well, I suppose it collects taxes year in, year out, the success of

administration, so I think there was less of a problem. My general observation today is both organisations seem to have experienced quite a diminution in numbers. That's all very well, but when things start going wrong and you simply don't have the calibre or the depth [of experience] or knowledge, there will be problems. This is critically important; you start losing the institutional capacity to respond. That's not just a Treasury and HMRC issue, it's a problem across government in general.

**Thomas Pope (TP): Were there any policies during the Labour government that ministers really would have liked to implement but were unable to for political or practical reasons?**

**AD:** I wouldn't have said that. Although when we got elected in 1997 and 2001 we had very large majorities (certainly in comparison to what you've got now), we were often very coy about saying what we were going to do and what we wanted to do, especially in relation to redistribution, it was almost a political dirty word. And actually, we did quite a lot of redistribution, but we kept quiet about it. That then opened the door to critics of ours, not just in the middle ground, but on the left as well, who claimed that we didn't do anything to make Britain more equal. Tax credits were a case in point when we were quite tentative with the way we introduced that. And I think we could have done more in terms of reform in the first and second terms. But I can't think there was a particular policy that we wanted to implement and didn't because we were scared of it, if you like.

There were things we didn't do, because we thought the better of it. One example is simplifying the social security system. Every incoming secretary of state looks at the system and says "it's terribly complicated, couldn't we simplify it?" and then you realise after a 15-minute discussion why no one had done that before. Sometimes there are reasons for complexity – it isn't bureaucracy, it's because you want to ensure that you get the money to the right people, especially those on very low incomes. A 'simple' appraisal can cause hardship – universal credit is a good example. So, I can't remember a specific thing that we really wanted to do but couldn't do. Obviously, Gordon Brown's administration was different, in that the financial crisis subsumed almost everything else.

**GT: Is there anything we haven't touched on, from your experience as chancellor, in relation to tax policy, that is worth mentioning?**

**AD:** I think the thing I come back to is – and I don't have an unequivocal answer for this – is I think we have to think of some way of taxing accumulated wealth and to tax global enterprises, especially when you've got the Amazon and Google problem. We don't at the moment. It's becoming increasingly difficult to see how we will raise the money we need because of the demographic challenges that we face, as well as people's expectations generally for public spending, if we don't look elsewhere. But there's other things too, how you deal with climate change – these sorts of huge issues. But just at the moment, nobody's thinking about them for obvious reasons, because there is only

one show in town [Brexit]. We do need to think about these things, then there's going to be problems and not too far down the line either.

**GT: Taking wealth taxes, from your experience, what do you think are the challenges that the government would have to overcome to introduce wealth taxes and how could they do that?**

**AD:** Keep inheritance tax. A minority of people pay it, but at the moment, if you have sufficient foresight and are able to divest yourself of a lot of your wealth seven years before you die, then you don't pay it. But that's a nonsense, obviously you will come up against people who say "I've worked hard, I've got my house and I want to pass it on to my children". That's a natural instinct. Inheritance tax is a tax on wealth. But you either have one which people pay or you don't have it, rather than this rather random [current system of inheritance tax], a tax that a minority of people pay. Equally, if you look at property values, again, it is difficult. For example, you can find someone living in an apartment block in central London and beneath them someone in the shop below is paying far more in business rates than the person in the penthouse flat is paying in council tax, in a flat worth several million pounds. So, I don't have an easy answer to it, but I do think it's something that needs to be looked at, because otherwise the tax base is shrinking all the time and expenditure is expanding.

**GT: Do you think those sorts of arguments around inequity and unfairness are ones that would persuade the public of those changes?**

**AD:** The argument would have to be made. There is a general point that the public's confidence in politics and politicians at the moment is pretty low and to sell a [tax reform] message the first thing you need is for people to trust you. The current climate is probably not a good one to be opening up a whole debate about these things. There's one big thing [Brexit] that needs to be sorted at the moment, which actually will bear on the wealth of the nation and the revenues that can be raised, though others may not see it that way. But yes, at some point, the argument is going to have to be made for these things. If people want to, for example, know that if they need some long-term care then some of the cost is being met by the public purse, then the public purse has got to find the money from somewhere.

**GT: Reflecting on your experiences, what advice would you give your successors who are hoping to reform the tax system and perhaps particularly to successors who might, like you, be sitting there with a fiscal crisis on their hands and thinking about changes to tax?**

**AD:** If you have political space and you have time, I would say you need to think out the arguments, you need to prepare the ground and you should think about doing whatever you are going to do at the beginning of Parliament, not as you approach the end of it. You also need third parties outside government to be as well.

But if you're having to do these things in more turbulent political times, it really depends on circumstances. If you can legitimately say it's in response to a crisis, you

might be able to make reforms, but actually during a crisis, you don't always have the intellectual space or political capacity to develop these things, let alone the room to try and sell something. But for any government, looking for another term, or opposition seeking to become government, the time you really ought to be doing these things is well before the election, so that you have something concrete and robust worked out. Coming back to what Theresa May proposed [on social care], do not sell something that is highly controversial and very complicated and fraught with difficulty near to election time, because the chances are that people will not come with you on it.

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Transcript, [Name of Interviewee], [Date of Interview], Overcoming barriers to tax reform, Institute for Government, Online: [Web Address of Transcript], Accessed: [Download Date].

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