

# Overcoming barriers to tax reform

## Stephen Timms



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# Biographical details

## Parliamentary history

1997–present: Member of Parliament for East Ham

1994–1997: Member of Parliament for Newham North East

## Government and opposition career

2010–2015: Shadow Minister for Work and Pensions

May–Oct 2010: Shadow Financial Secretary and Shadow Minister for Digital Britain

2009–2010: Parliamentary Under-Secretary for Digital Britain (Department for Business, Innovation and Skills and HM Treasury)

2008–2010: Financial Secretary (HM Treasury and Department for Business, Innovation and Skills)

Jan–Oct 2008: Minister of State for Employment and Welfare Reform

2007–2008: Minister of State for Competitiveness (Department for Business, Enterprise and Regulatory Reform)

2006–2007: Chief Secretary to the Treasury

2005–2006: Minister of State for Work and Pensions

2004–2005: Financial Secretary (HM Treasury)

2002–2004: Minister of State for e-Commerce & Competitiveness

2001–2002: Minister of State for Schools

1999–2001: Financial Secretary (HM Treasury)

Jan–Jul 1999: Minister of State (Department of Social Security)

1998–1999: Parliamentary Under-Secretary (Department of Social Security)

## **Stephen Timms was interviewed by Gemma Tetlow and Joe Marshall on 2 May 2019 for the Institute for Government's tax reform project.**

**Gemma Tetlow (GT):** Can you tell us about when you first started working on tax in the Treasury?

**Stephen Timms (ST):** I was at the Treasury four times. Three times as financial secretary, once as chief secretary, but the three times I was there as financial secretary they were all different jobs, so I think I can probably claim to have done every Treasury, ministerial job bar one. I remember when I went back there for the third time, somebody said to me "It's very unusual for a minister to come back to the Treasury as many as three times. But it's not unprecedented because Gladstone came back four times", so I'm very pleased with myself for having matched Gladstone's record, but I think his stints were rather longer than mine!

There are three tax changes that I'd love to talk about. On your question: "why can't sensible tax changes be made?", I imagine it's because the sort of upheaval, the scale of the upheaval that would be required to deliver sensible tax changes is too great to be contemplated. And certainly, looking back on my time there, there's a huge amount of time and effort looking into rather minor things, and that took up everybody's time. So there was never a sort of overarching vision for how things ought to be. It was more about firefighting and dealing with the problems that emerged of different types in a particular area, rather than implementing a grand strategy that somebody had come up with that we'd all signed up to.

I think the absence of grand political strategies is probably the reason why the changes that you're suggesting haven't been implemented. But there were three changes that I thought about.

The first is the reform of betting duty, about which I will expand at some length in a moment. The second was more fraught, really, in its passage through the Treasury, which was the introduction of a new [tax] relief for computer games. And the third, which we did around the same time, was the introduction of a patent box [a reduced tax rate on profits generated by patents] in 2009.

**GT: What sort of experience and knowledge of tax had you had before you took on the role in Treasury?**

**ST:** None.

I did a Master's degree at university. I went to work for a management consultancy called Logica. I worked for them for eight years sort of doing mainly mathematical... not really very mathematical things, a bit of coding. Then I worked for another eight years for a company called Ovum, which was started by friends I'd worked with at Logica and basically what we did was forecast the market for new computing and telecommunications products and services. So that was my background. I was a

councillor in the London Borough of Newham, where I am now one of the MPs. And for four years, 1990 to '94, immediately before I became an MP, I was leader of Newham Council, so I put together a council budget, except I didn't know anything about accounts, but that is it really, I'd had no exposure [to tax]. It was through those two things that I was aware of kind of general business processes, but nothing specifically about tax at all.

**GT: On joining the Treasury, what sources did you have to draw on to help you?**

**ST:** My private office really. I got extremely good submissions from the Treasury officials. I always thought the submissions I got from Treasury officials were the best. I did lots of jobs and moved around a lot in government, and the Treasury ones were always very clear, succinct and helpful, I mean in some departments you got rather waffly and confusing submissions, that was never the case [in the Treasury].

**Joe Marshall (JM): Was the quality of advice consistent throughout your time in Treasury?**

**ST:** I think it was. I never remember feeling that there were bits of the Treasury that were less good. I suppose the quality wasn't always as good coming from HMRC [HM Revenue and Customs]. I suppose I ought to make that point. HMRC of course had quite an arm's length relationship with the Treasury, but stuff produced actually in the Treasury was invariably good.

Towards the end of my time in office when I was Chief Secretary, I was caught up a bit in the changes to tax credits. This wasn't a tax matter particularly. Lots of people were overpaid and there were huge amounts of money that had to be extracted from them subsequently (and a lot of it never was). I remember having a conversation with somebody at HMRC to say, well couldn't we change the tax and benefit system a little bit, so it did this and this? And their reply was "well we never really understood how the tax credit system works, so if we change it, we don't really know what it'll do. It might have all sorts of unforeseen effects" and we really didn't want that kind of conversation: that was HMRC.

So sometimes some of the submissions I received from HMRC tended to be rather more kind of waffly and less clear. Whereas from the Treasury almost always they were clear, succinct and I found them very helpful.

The first episode [I wanted to talk about] then was betting duty and the problem that arose was that betting was moving off-shore. There was a man called Victor Chandler who had moved his betting operation to Gibraltar and it was clear that betting was starting to move online. It was early days, but even in 1999 that was starting to happen. Of course if you do betting in Gibraltar, you don't pay UK betting duty, so it looked as though a worthwhile source of revenue – I can't remember how much it was, but a few hundred million pounds – was going to fade away. And the question was, was there anything that we could do to stop this happening?

There was a discussion with the betting companies about this and a sort of deal emerged that we would reform general betting duty. And I think one of the problems from the shops' point of view with it was there was a kind of fixed amount in duty payable on each betting transaction. So every time somebody made a bet, a certain amount of duty was paid. And you could see with things going online there were new markets with really quite small transactions and what you needed was a percentage, basically, so that the duty did not make small transactions financially unviable, as they were under the old system.

So this deal emerged that we would reform betting duty, switch it to a percentage basis and, in exchange for that, the betting companies, voluntarily would move their online operations back to the UK. That was the plan, but there was no law requiring them to do that and nobody ever expected Victor Chandler to come back, but there was an expectation that Coral and Ladbrokes and those who were part [of] the Association of British Bookmakers, who brokered all of this, that they would come back. And I remember a conversation with an executive of Ladbrokes – this would be around the point of finalising this, because there was a worry this could be abused, this new arrangement – and [we did ask the question] “will all the betting companies use this opportunity responsibly?”. And he looked at me and he said “Do you know? Yes they will”. And we went ahead with it.

Now, I don't know, from the Treasury's point of view, how that worked out. I think certainly some of the betting companies came back and I think there is, to this day, a fair amount of online betting still happening in the UK, with tax being paid on it. My impression is they didn't all come back, or maybe some of them came back and then left again.

**GT: Do you know if there was any ex-post evaluation of that policy?**

**ST:** I don't know. There probably was, I never saw it because I'd left, but I suspect somebody looked at it. I'd be interested to know as to what actually happened in a way. What is the level of betting duty collected today compared to what it was 20 years ago? But obviously what this thing did do, together with some licensing changes made a few years later, was create the opportunity for fixed odds betting terminals. And the licensing changes recommended by Tessa Jowell, in her review of gambling legislation, allowed betting shops to have up to four fixed odds betting terminals per shop. These things have since become known as the crack cocaine of gambling because they were very addictive.

And I'm afraid my constituency suffered probably worse than any from the proliferation of these awful seedy establishments on our high streets, every single one of them having four of these machines, the maximum, and, loads of new shops opened up. But I think at the time, in 1995, we were rather sad that betting shops were dying out. The sort of familiar, friendly part of the British high street was going to extinction and we were stepping forward to save it. Well, we did and I gave a speech to the Commons

about this two or three years ago, and I counted out how many betting shops there were just walking down East Ham High Street. You've got Paddy Power, then you go around the corner there's another Paddy Power, and next to that there's a Ladbrokes and opposite there's a Coral and so it goes on.

From my point of view, they were appalling establishments and significant numbers of my constituents spent literally a fortune in them. I met a mother who told me that her estranged husband had gambled away their house on this, they'd taken out a mortgage and it's all gone in these machines. Vast profits made by the bookmakers with very severe social costs and of course I complained about this in the Chamber after the 2018 budget and always felt rather guilty that actually it was my tax change that was... the root of those things.

And indeed I saw someone from the Association of British Bookmakers, who I knew a little bit in 1999 when I negotiated this with him, who was reminiscing about the excellent relationship he had with me at the time, but I denounced him for what they were doing with the fixed odds betting terminals. I don't know if you know, but there was a huge campaign in Parliament which I supported from the start and my local council funded, basically, to limit the maximum stake of betting machines to £2 and the Treasury very strongly resisted that. In the end they agreed, but Philip Hammond tried to postpone it for a year and Parliament rebelled. So that change finally took place at the beginning of last month.

**GT: And in that instance, was it something that even remotely crossed your Treasury colleagues' minds when you made that change?**

**ST:** Well, I don't think anyone would have invented fixed odds betting terminals at the time and if they had, I didn't know about them, but we did know – and that was why I mention that conversation with the man from Ladbrokes – that there was the potential for this arrangement to be used in a rather irresponsible way. And I think what I had in mind was quite small transactions, but huge numbers of them, taking significant amounts of money, because that's what the tax change facilitated; small bets which the old duty system made unviable. I certainly didn't envisage that we were going to end up with the opportunity... and it may not have been the duty that actually did this, but a wider set of changes. We were opening up an opportunity for people in the constituency who might be on very low incomes to squander enormous amounts of money and impose huge hardship on themselves.

**GT: Do you think with the benefit of hindsight there was any more evidence-gathering consultation you could have done to prevent this?**

**ST:** A very good question. There's nothing that immediately springs to mind. You see, I suspect, if I was a Treasury official reflecting on this... I would have seen it as a successful initiative because I think betting duty receipts will have held up very aggressively over the last 28 years, thanks to that change. Unfortunately, alongside it

was a massive social harm which almost certainly has cost the state large amounts of money, but that presumably is impossible to quantify. What should we have done? I don't know. I think in the Treasury's own terms, it would have been a successful reform.

If we end up with viable businesses on the basis of a £2 maximum stake, then I suppose you could say that that's quite a good outcome because there'll still be a worthwhile income coming into the Treasury, but people will not be getting ruined as they have been up until now. But my view is that that change should have been made much, much earlier.

**JM: On that note, do you think sometimes there's a tendency to use tax measures where you could use an alternative policy lever like licensing or regulation?**

**ST:** I'm sure that is the case. I'll tell you one thing, you couldn't say that about the reform in 2000 or whatever it was, because we faced a problem and the duty receipts were going down and we wanted to address that, and we did, successfully I think. I don't think betting duty really was about regulating behaviour. I think it was about securing an income for the Treasury and regulating behaviour with our new licensing rules and the planning rules. So we didn't believe we were regulating behaviour when we reformed betting duty, we just wanted to make sure we held on to our revenue stream and didn't want to do great damage.

**GT: Who was it who pushed the reform? Was it Treasury officials who provided the evidence that this was an issue starting to materialise?**

**ST:** I think so, yes. My impression was that yes, the real impetus for reform came from the Treasury who could see the revenue stream dwindling. I think it was already starting to dwindle a bit and there were concerns about that. But I'm sure, equally, and I don't know in which order these two things happened, but I'm sure equally that the industry would have come to the Treasury and said "Look, if you don't do something we're all going to go off-shore. We're all going to go to Gibraltar. You're not going to get any revenue. It's not ideal for us, but it's not good for you either". So whether it's that approach that first alerted Treasury officials to this or something else, I don't know.

The second policy I wanted to talk about was a tax relief for video games. I was always interested in this subject because I was the minister for computer games as well for a while. I was at the Treasury 1999 to 2001, then I was schools minister, 2001 and 2002, and then from 2002 to 2004 I was minister for computer games, or minister for e-commerce – that was the job title. It was the one occasion I was able to impress my godson by saying I was the minister for computer games. Because of my background I was always very interested in IT and things, and computer games were always a sort of fun aspect of that.

And I got to know a little bit the people in the industry and it was quite rapidly growing. There was some fantastic innovation, great graphics and things, which were interesting and impressive, I thought. University grants were starting up to support it. Computer

games clusters around Dundee, a very intriguing cluster around the university in Dundee and another one in Bournemouth.

I can't remember quite when this happened, but it became evident that Canada had introduced a tax incentive for games developers and you could see, and the companies' trade body was bringing forward evidence to show that the impetus for the momentum in the industry was kind of seeping away and people were literally moving to Canada to take advantage of this tax break. And so the UK industry started to make the case for introducing a tax break in the UK. Now, I think – I'm a bit hazy about the timing of this – but I think the case for that was first made to me in that time that I was the computer games minister, 2002 to 2004. We didn't get very far with at all, although I do remember having discussions with some Treasury officials about it.

Of course, anything like that the Treasury is deeply resistant to, and for good reasons, because from an economic theory point of view, there is no case for giving subsidy to one bit of industry compared with another. And the only justification for this thing was that Canada had done it and we were losing out, so we'd better do it as well. There's also the resistance, again completely justified, that if you're constantly introducing little exceptions and breaks then you're just making the whole of this complicated and incomprehensible and inefficient, and it's costly to administer and so on.

So your life as a Treasury minister is made up, to a significant degree, of people coming forward with bright ideas and how they can be given a tax break and Treasury officials try to fend them all off and this one was no exception. So it got nowhere, but the case continued to be made. There did start to be other countries, I think, other than Canada that started to do something. I think France, if I remember rightly, did something. Then in 2008 I went back to the Treasury for the last time as financial secretary and in 2009 Gordon Brown made me the minister for computer games again at the same time, so I was doing the two roles at once.

So again I was bumping into people and everybody felt really strongly, and the statistics were pretty dramatic, clearly there was a real haemorrhaging of people to Canada – a lovely place to go. And I thought the case to try to do something to stem this was a telling one. So, in Alistair Darling's final budget, I think, was the one we managed to get the tax break for computer games into. Of course, it wasn't very long until we had a general election. George Osborne became chancellor and one of his first acts was to scrap this ludicrous frippery of tax breaks for the computer games industry, and that appeared to be that. Except that I think two years later he re-introduced it and I think it was identical to what he had scrapped in his first budget.

So I thought that was quite an interesting story of kind of different perspectives, and the interplay of different perspectives on a particular topic. And as far as I can tell, I think it's still in place and I think... I still bump into people in the computer games industry from time to time, and I think the UK industry is now doing well and the tax break does appear to have had the effect that they always told me it would have and I



that I hoped it would have. So I guess that sort of counts as a success, albeit rather sort of slow... with lots of ups and downs on the way.

**GT: You refer to the Treasury position as objecting to those sorts of policy if they're inefficient, complex and maybe help the computer games industry but at some cost to other industries. Do you think that Treasury is wrong? Are they missing part of the picture?**

**ST:** No, I don't, I think you're absolutely right because – on your question about why can't we introduce sensible tax changes – one of the most telling criticisms of the tax code I think is just how complicated it is. And we're all forever being regaled by how many pages of legislation there now are, and it goes up every year... So, I think that is a telling and an appropriate criticism, so I think the view that we should not complicate the system without a very, very good reason is the right instinct on the part of Treasury officials. I wouldn't say they are in principle wrong to do that, but of course it can be very difficult to know which one actually is right to do, as opposed to all the other things that some people would rather fancy.

**GT: Given your experience on that topic, would you like to have had your hands tied more, in some sense, to make it easier to resist that pressure from interest groups? Or do you think it was right that you were in a position to be able to introduce that relief – that it was the right decision to have made?**

**ST:** Well, I certainly think that was the right decision to make. I think it would have been a bit of a tragedy if we had lost the economic potential of [the industry]. I think it would've been pretty tragic if we'd lost that because of a sort of fundamentalist objection to doing anything to help. Whether there might be a set of rules that would constrain some things that you shouldn't do, I don't know. If somebody was to suggest a set of principles, sort of self-denying ordinances which might be imposed by Treasury ministers on themselves. There might be a case for that, but it would be quite difficult. I have no idea what they should look like or how you'd define things you want to stop, while not preventing things that you want to facilitate?

**GT: And in that case, did you feel you had strong enough evidence to know that that was the right course to go down? Or were you in a position of feeling you needed to make a nuanced decision with imperfect information?**

**ST:** Well, I was pretty convinced about it because, you know, I'd spent quite a lot of time with my other hat on with the industry and so could see what was happening to it and the extent to which it was being depressed by more favourable tax regimes elsewhere. But it was a completely pragmatic thing, I don't think I was ever able to come up with any principled reason why the computer games industry should have a more favourable treatment than anyone else. It was simply a pragmatic point that Canada was stealing our business. I was always pretty convinced about it. The Treasury was always very resistant, and I was not at all sure that I was going to be able to persuade Alistair Darling

to do it. I think I probably did manage, I actually saw the budget document or something that was actually in there and I'm very pleased that it was.

**GT: On a similar topic, how much involvement did you have in international tax discussions? What you're getting at here is that countries try and compete with one another on some of these margins: were you involved in any of those discussions?**

**ST:** Well, a little bit I was, the main involvement I had was in the run-up to the G20 which took place at the ExCel Centre in the London Borough of Newham in April 2009. We did a lot of work around tax avoidance and tax evasion, and there was the idea of tax information exchange rules and I think at the G20 it was agreed every country ought to have these. So those were the conversations that I was primarily in – to do with international tax matters promoting access from one tax authority to another, to find out what people who were supposed to pay tax in one country were doing in another. I wasn't really involved in the discussion that was about whether Canada should be able to do what it did in the tax relief space. When we were looking at the computer games incentive, there were EU constraints and someone would have been across those and, I think, if I remember rightly, we did have to get state aid clearance for the incentive that we ended up with.

With a sort of international development hat on, it was my initiative, there was a joint meeting of the OECD [Organisation for Economic Co-operation and Development] tax and development committees which took place in Paris in, I think, January 2010, not very long before the general election. It was about essentially requiring companies to publish how much they pay to the tax authorities in each country where they operate. Country by country reporting... Because the idea was to expose the fact that multinationals are able to manipulate their accounts so that they [pay] tax in low tax jurisdictions and don't pay very much in higher tax jurisdictions. In particular, they don't pay very much in developing countries, and so developing countries are seeing very little benefit from the exploitation of their resources.

**GT: Do you have any broad reflections on whether that international co-ordination makes it easier or harder for the UK government to make good tax policy?**

**ST:** I'm not sure. They always feel very cumbersome, those kind of things, and very slow moving and you certainly can't depend on them to deliver an outcome in order for you to do what you want to do. I don't think they work very well. A bit like accounting standards, I think perhaps the world has started to get its act together better on accounting standards, but it's terribly cumbersome. Accounting standards was something that came up quite quickly, unlike the computer games one which was around for years before it happened.

The third policy is the patent box. I think it came very specifically from lobbying on the part of AstraZeneca, because they said "Look, if you don't do something about the tax environment for R&D [research and development] investment in the UK, you will find

that investment is just going to go because there are plenty of others who provide a much more favourable tax environment". I can't remember the name of the guy who was the chief executive of AstraZeneca at the time, but he was very assiduous and compelling and clearly he was quite liked by Gordon Brown or maybe officials, but this guy was making a sensible point that we needed to address.

And it wasn't only AstraZeneca, I mean there are other pharmaceutical companies who felt the same, but it was AstraZeneca who took the lead. I think we were also talking to people like Rolls-Royce, so other kinds of businesses that were investing in R&D in the UK who had similar concerns, but probably not quite as well articulated and developed as AstraZeneca's were. So, we introduced the patent box at the same time as the computer games one. George Osborne didn't repeal it in his first budget and, as far as I know, it's still there. But I do notice that since then I think others, including in my party, have argued that it is a device to give very favourable tax treatment to very large and profitable businesses. And I think I've heard John McDonnell say it should be scrapped. I've no idea what the kind of considered view is about whether it did indeed keep significant R&D in the UK that otherwise would have been lost. That was certainly the aim, whether it succeeded I don't know.

**GT: So was the primary aim to keep R&D activity here, as opposed to simply keeping the profits of large companies that undertake R&D here?**

**ST:** It was to keep R&D activity in the UK. To keep high paid jobs in the UK, that was the concern. And it was all done in rather a rush, so if there are some rough edges on it which have been exposed subsequently, that wouldn't surprise me at all because it was done quite quickly.

**GT: Was the Treasury principally leading on the analysis and design of that tax break?**

**ST:** Yes, we talked a bit to HMRC about it, but there was a fair amount of Treasury effort, I think, invested in trying to get it right I don't think there was a great deal of criticism subsequently. I don't know whether it's changed very much.

**JM: And was the speed of the introduction primarily driven by also the threat of companies leaving or the thought that you needed to be seen to be acting quickly?**

**ST:** I think it was more the former. I think we took pretty seriously the threats that were being made by this very charming man from AstraZeneca and some of the things that were being said by other pharma companies specifically. And then we talked to Rolls-Royce who suggested that similar considerations worried them as well. So that was the worry that they were just going to move... One thing that struck me about Brexit is it's all sorts of things that we, as tax ministers, felt you couldn't contemplate but have happened with Brexit. For instance, Chris Grayling's tens of millions of pounds on car ferries and all this sort of stuff, you know, to spend a sum of money as a Treasury minister and as any minister, you have to go through endless hoops and convince

different tiers of supervision that this was appropriate. And you really had to work hard to convince people to do something about the computer games industry.

But I got the impression with Brexit that a lot of those constraints have just been thrown away and I've no idea what the impact on the deficit and the national debt on all of this will have been. But I presume it must be kind of noticeable, but disciplines which we regarded as absolutely unmoveable seem to have been discarded.

**JM: Having worked on tax policy and other areas of policy, is tax policy and the way that it's made in Treasury and the level of scrutiny it receives, different from other policy?**

**ST:** Well, there was a very clear sense in the Treasury that we were at the heart of government where the power really rested and quite a lot of that was resented in Number 10. It was the case financially and I think partly reflected Gordon Brown's personality – and it was true when Alistair Darling was there as well. As well as a kind of natural order for things in Whitehall. It certainly felt like being at the heart of things which you didn't feel if you were in the Department of Trade and Industry or pensions minister.

**GT: Did that mean that there was in some sense one less barrier in making tax policy in the Treasury, rather than making the case for spending policy in one of the spending ministries?**

**ST:** Yes, it did. I expect when I was the computer games minister I did make a proposal for a games tax relief – that would have been on one of my spending bid lists, but the chances of getting that through the Treasury were kind of negligible. Whereas as a Treasury minister, you can do it. I was pensions minister when the Adair Turner Commission reported and recommended that the basic state pension should be linked with earnings again, which made perfect sense from a pensions point of view because it very effectively addresses, finally, the problem of the incentive for pension saving.

I had a conversation with Gordon [Brown] about the Turner Commission proposals. I think he was particularly incensed that it was being proposed by a Tory – Adair Turner. [That a Tory] should be lecturing him about the need to re-index the basic state pension. And the permanent secretary at that time, Nick [Macpherson], he was sort of very anguished about this thing coming forward which was going to require the Treasury to spend huge amounts of money.

So they were very, very upset about it. In the end it was done. I don't know what process eventually followed through to persuade them this was a reasonable thing to do, but it was clear, both Gordon [Brown] and the permanent secretary felt very strongly that this was a very damaging initiative which the government simply couldn't afford.

**GT: Was that because they had an undue short-term focus on the public finances?**

No. Well, I think the question is what is undue? They did have a short-term focus, they were worried about what the deficit was going to be next year. Was that undue? Well, from one point of view, I suppose it was undue. But the problem is that you can always come up with ideas that you think are going to save you money in the long term. The Treasury is extremely sceptical about them, not least because the history tends to be that they don't actually save you money. We had an initiative called spend to save – I think Paul Boateng was in charge of it as chief secretary – and I think the Treasury view then was that these ideas – even though they went through a very rigorous process before they went ahead – didn't actually save money.

**JM:** A period of time we've not touched on very much is the financial crisis and the aftermath of that. Several tax changes were made in response to the crisis. I suppose we were thinking more of just the general tax policies, both the tax cuts that were introduced for economic stimulus and then the tax rises that followed to try and get the public finances back into some shape, because taken together, there were quite a lot of big changes announced over that period. Do you have any recollection of how that package was come up with, rather than any other package?

**ST:** I think I was too peripheral. Those were the things that were kept very tightly with the chancellor and the prime minister at the time.

**GT:** You mentioned at the start the fact that there was no big strategy for tax reform during the periods that you were as a Treasury minister.

**ST:** If there was, I didn't know what it was.

**GT:** Do you think that had an impact on the sorts of measures that ended up being implemented? Did it make them more piecemeal?

**ST:** I'm sure that you could look at those 13 years, and indeed I'm pretty sure that if you look at what's happened in the subsequent nine, you'd be hard pressed to find a coherent vision being worked out over that period on tax. There was a strategic vision in various parts on what the Treasury was doing, and Gordon Brown was probably the most strategic kind of finance minister we've had for a very long time. I don't think we've had anyone like that since. But it wasn't the areas that we've been talking about today where his sort of strategic vision was worked out, it was in other areas.

**GT:** Are you thinking of things like tax credits?

**ST:** Yes, in particular.

**GT:** If you were to give advice to future Treasury ministers about how they could get good reforms through, what, on reflection, would you suggest to them?

**ST:** I regret that I had never studied any economics. I think if I had done and I'd had a better understanding coming into the job of what the type of parameters were, I think I might have done a better strategic job than I actually did. David Gauke, who shadowed

me and I shadowed him – I sort of see him as a figure in the current government who is closest, probably in temperament, actually, but also in terms of what he did in the Treasury, as chief secretary – he was a bit of a tax expert. If I had been an expert or had some of the basics in place before I took the job, I'd probably have been better at it. So, I'm not sure that's advice to somebody coming into the job, but it might be advice to the person choosing who should come into the job. I think an economics background would be a good thing.

When I was first there in 1999, I did take a weekly lesson in economics, an academic came in and talked to me about it once a week. It was quite difficult to get any serious grasp of a subject like that in such a short time, on that basis I don't think that was terribly productive. I hope I'm not giving the impression that I regard this as 13 years of failure, because I don't, I think our government was actually a really successful government. I think we did some very good things, including on tax, and I also kind of defend our record. But when asked to reflect on our strategic position on tax, I'm afraid there's nothing.

**GT: Is there anything that you think you got right? Where you can say “I did it that way, I'd highly recommend that to my successors”?**

**ST:** I think we did a lot of listening to people, and I imagine it's still the case in Treasury. We talked to a lot of people. We listened carefully to what they have to say. I think we understood what they had to say. We didn't necessarily agree with them, but I think we put serious effort into understanding what the various bits of the economy were saying to us about what was going on. And I think that did mean that we made better policies than would otherwise have been the case. I don't think we were arrogant. In a way, it's the flip side of not having the vision in government of this is what we're going to do and don't care what anyone else thinks. We were attentive to what industry players had to say and I think that was right.

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