Preface

Thirty years ago, the Institute for Fiscal Studies (IFS) published a seminal review of the UK tax system, the fruits of a commission chaired by the Nobel Laureate Professor James Meade. Explaining the motivation for the review, Dick Taverne, then Director of IFS, lamented: 'For too long, ... tax reforms have been approached ad hoc, without regard to their effects on the evolution of the tax structure as a whole. As a result many parts of our system seem to lack a rational base. Conflicting objectives are pursued at random; and even particular objectives are pursued in contradictory ways'.

Unfortunately, this critique still holds true today. In some important respects, the tax system has evolved in the way that the Meade Report recommended, but it remains the product of often incoherent piecemeal changes rather than strategic design. The tax system has also struggled to adapt to profound changes in the economic, social, and institutional environment in which it operates. And tax design has not benefited as much as it could from advances in theoretical and empirical understanding of the way features of the system influence people’s behaviour.

For all of these reasons, we felt that the time was ripe once again to ask an expert commission to take a hard look at the tax system: to try to identify the characteristics that would make for a good tax system in an open economy in the 21st century; and to suggest how the British tax system in particular might be reformed to move closer to that ideal. In doing this, we have been, if anything, even more ambitious than our esteemed predecessors on the Meade Report.

Whilst Meade focused largely on direct taxes, we set out to look across the whole tax system. Indeed, the insight that the tax system needs to be seen as a whole underlies our entire approach. And whilst we retain a clear focus on the UK, we have also tried to ensure that our conclusions are relevant internationally—we have taken more than just a UK-centred approach.

In addition, this volume is not the only output of the review. In a companion volume, Dimensions of Tax Design, published in 2010, small teams of experts from IFS and around the world addressed a number of key themes in tax design. That volume contains an immensely rich and varied set of analyses. The papers there provide comprehensive and state-of-the-art
surveys of the economic thinking in the main areas of tax design. They also
provided invaluable inspiration for this, the final report.

From the outset, the intention of the review was to take a 'big picture' view
of tax design, asking what society wants the tax system to achieve and how
best it might be structured to accomplish that. In this final report, we have
tried both to set out an overarching vision for the tax system and to suggest
some desirable incremental reforms. The starting point has been to look at
the economics of the tax system, although we have received a great deal of
useful input from tax lawyers, advisers, and practitioners, as well as those
involved currently and in the past with the practicalities of tax design and
implementation. Inevitably, some of those who spend most of their time
thinking about tax design and implementation from these perspectives
might have identified different priorities and have taken different
approaches if they were to have undertaken this review themselves.
Economists cannot claim to have all the answers to good tax design—and
some of our answers will pose new questions. But thinking hard about the
economics of the tax system is essential if it is to work effectively.

In addition to administrative practicality and the difficulty of turning
economic intentions into robust legislative language, proposals for tax
reform are, of course, constrained by politics—not least the unfortunate
observation that those who lose from tax reforms tend be vengeful while
those who gain from them tend to be ungrateful. But there is no point in a
review of this sort confining itself only to recommendations that we could
confidently expect to receive immediate and enthusiastic support across the
political spectrum—this would be a very short report if it did. Whilst we
have tried to take explicit account of the political economy of tax reform in
setting out a possible path to a better system, there will always be a tension to
some extent between what is economically desirable and what is politically
practical.

In thinking of a worthy successor to James Meade to chair a review of this
ambition, there was one obvious choice: the Nobel Laureate and founder of
the modern theory of optimal taxation, Professor Sir James Mirrlees. This
volume is very much the joint work of Sir James and a distinguished team of
eight other economists and one lawyer, who have been working together on
the review for four years. In addition to myself, this team contains some of
the most pre-eminent public economists in the UK, and indeed the world. It has been both a pleasure and a privilege working with them.

Even a team such as this is dependent on others. Our thoughts and views have been influenced over the period of this review by discussions at conferences, seminars, meetings, and presentations far too numerous to list. All of the 63 authors who contributed to *Dimensions* have played an important part in forming and developing the ideas that underlie our conclusions, both through the contributions they wrote and through the many discussions we had with them. We are incredibly grateful to them all. Many staff at IFS with expertise in modelling and analysing tax policy have also played a vital role. And we have relied on them to keep everything else going at IFS whilst we have spent far longer than we ever intended on this endeavour.

So I am going to resist the invidious temptation to single out any individuals who have contributed to the content for thanks. The many dozens on whose wisdom, patience, and insights we have drawn know who they are and can be assured of our deep gratitude.

There are others who have made this volume possible, though, and they do deserve special thanks. Judith Payne has once again shown her extraordinary abilities as a copy-editor, and more than ever before has had to display equally extraordinary patience. Our publishers at OUP have also shown a degree of patience, for which we thank them. At IFS, Bonnie Brimstone and Emma Hyman have both provided the highest-quality support.

Finally, one of the most important and well-known lessons from economics is that there is no such thing as a free lunch. We must therefore express our heartfelt thanks to those who have paid for this one: the Nuffield Foundation and the Economic and Social Research Council. Both have long been much-valued supporters of IFS and we hope that they will think their investment in this project worthwhile. It just remains for me to echo Dick Taverne’s words on the launch of the Meade Report: ‘We hope and believe that this Report will be a rich quarry for tax reformers and a valuable reference point for students of taxation for decades to come’.

Paul Johnson
Director
Institute for Fiscal Studies
The Nuffield Foundation is a charitable trust with the aim of advancing social well-being. It funds research and innovation, predominantly in social policy and education. It has supported this project, but the views expressed are those of the authors and not necessarily those of the Foundation. More information is available at http://www.nuffieldfoundation.org.

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