

TO TAX OR WHAT TO TAX?

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INTRODUCTION

More than 3000 years ago the Greeks, one of the most civilised of societies, faced the problem of taking money from one group in order to help another: taxation. However, they were governed by experienced and intelligent men who spent the taxes wisely.

In Britain taxes were already mentioned in the Domesday Book and apart from these land taxes, dice and tea were amongst a motley collection such as the dog tax. Assessors used to knock on the doors of dog owners at night and when the kicks resulted in numbers of different dogs barking, the amount of tax was assessed.

The introduction of an Income Tax had always been fiercely resisted and in 1798 the Prime Minister, William Pitt, stated that

‘To require a gentleman or single lady to tell someone their income is repugnant to the customs and manners of the nation.’

However, a year later after the coffers had been emptied to pay for the war with France, he changed his views and proposed a ‘temporary’ income tax for one year. This still forms the basis for the annual budget ritual although the “temporary” label has long since been discarded.

When taxes are collected by governments and distributed centrally by civil servants, it is inevitable that wastage, incompetence and even fraud take place and more than 200 years ago, George Washington observed that ‘less government is best government’.

This attitude to reduce taxes and government employees has now been practiced by countries all over the world. All except in the Cradle of Democracy: BRITAIN.

The UK civil service is one of the best institutions in the western world but its rising numbers are not trained to take commercial decisions. They do however spend taxpayers’ monies which are not spent wisely by the apparatchiks who have neither the knowledge of how the money should be spent, nor if it is being spent efficiently. Yet no Minister sitting comfortably in a government limo would be happy in the knowledge that the tax paid chauffeur has not passed a driving test.

Companies in the non-public sector have to learn by their mistakes or go bankrupt and politicians would be wise to look at the facts of economic failure in the pre-Gorbachev USSR era. Even in Khrushchev’s times, the

shortcomings and unavoidable consequences of the Soviet system were caused by centralised planning and the monolithic bureaucracy and these facts were accepted by Gorbachev and exposed by PERESTROIKA and GLASNOST.

Sadly, no such recognition has taken place in Britain and the 'ethos of public services' will turn to ashes unless well meaning people accept the reality of the bankruptcy of state led planning and consequent misuse of taxpayers monies which have risen from £349bil in 1999 (HM Treasury) to £455bil in 2004, an increase of 30%.

The Office of National Statistics (ONS) said in December 2003 that the British method of measuring public sector productivity was best practice globally and their figures show that '...productivity in the public sector since 1997 has slumped by 10% overall and 16-20% in health and education.'

The confidential minutes of the March 4 2004 cabinet meeting recorded a strategy to change the way the figures are compiled and ministers agreed to order the ONS's director to change the way his office compiled productivity figures. The director's name is Len Cook.

When incompetent civil servants and politically motivated politicians join together, the economic results are disastrous. On 15 September, Lord Fraser's report on the Holyrood Scottish Parliament overspend fiasco documented a 300 page catalogue of 'catastrophically expensive decisions' by senior Scottish civil servants resulting in estimated costs of £10-40mil in 1997 rising to £431mil in 2004.

Lord Fraser's report is a withering critique of civil servants at the former Scottish Office and 'although there was no single villain of the piece' he apportioned the blame from the top of Scotland's Civil Service down. Although the late Donald Dewar, Scotland's First Minister is exonerated from direct blame, Lord Fraser supposed that the drive to finish the project was Mr Dewar's fear that a political change at Westminster might threaten devolution and added:

'It would have seemed paxiomatic to me that those who are democratically accountable for public expenditure should be kept advised of looming increases and for year after year they were not.'

The 4.3mil taxpaying UK pensioners particularly will no doubt applaud Lord Fraser's words which could not be more relevant today that the thoughts of Adam Smith in 1776:

‘It is the highest impertinence and presumption in Kings and ministers to pretend to watch over the economy of private people. They are themselves always, and without exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.’

PUBLIC SERVICES

The state should supply services which cannot be supplied by or be used by any single member of the public. The only clear duty of the state is the security of the general public and it follows that the Armed Forces and Police should be funded by the taxpayer. Education is a semi-public service as not all parents want ‘identical’ education for their children.

The PM’s aim for 50% of all school leavers to go to university by 2015 is unproductive as the majority of school leavers have expressed their favourite university subjects to be media studies, psychology and journalism. Few taxpayers would agree to fund these wishes as they live in the real world which cannot supply them with plumbers, joiners, carpenters or electricians.

In August 2003, soviet style NEWSPEAK came from the lips of the education secretary Charles Clarke when confronted with the GCSE pass rate fall as employers lamented the lack of school leaver’s skills: ‘It’s vital that we look behind the headlines and tackle the underlying issues’, adding that his department was planning to reform maths and modern language teaching.

In April 2003, David Normington, the Permanent Secretary to the Department for Education disclosed that Ministers ‘will miss by a mile’ their target of ensuring that 85% of 11 year olds hit the achievement level in English and Maths. On the eve of the publication of the PM’s 5 year plan for education on 7 July 2004, he acknowledged that it was a scandal that one in four children left primary school without being able to read or count properly. Sixteen months later Ofsted had disclosed that more than 200,000 seven year olds are not learning to read properly because the Government’s national literacy strategy has left teachers “confused” how to teach reading. The then Education Secretary, David Blunkett, pledged to resign if literacy and numeracy targets set in 1997 were not reached by 2002.

As university education presupposes that students should be literate before their arrival, it is surprising to hear that 25% of all 11 year olds are illiterate which the Prime Minister described in July 2004 as a scandal. It is indeed but another example of Soviet style waste of taxpayers' money and the ethos of public services turning to ashes.

Even when they reach university, students now drop out at a rate of 60,000 per annum which is costing the taxpayer an additional £360mil. Taxpayers' monies spent on the 2003/2004 Government education function was £54bil, an increase of 9% over the previous year and 13% of the total of managed expenditure (HM Treasury). In June 2004 Sir Andrew Foster, an author of an independent report on education management, observed:

'The government's mood is definitely one of irritation about the amount of public money they are putting in... they are not getting the bang for the buck.'

Apart from the monies spent in producing abysmal results in reading and writing, there are numerous quangos receiving additional taxpayers' monies to 'promote reading to men and boys'. In July 2004 *The Guardian* advertised a position for a Reading Champions Co-ordinator at a salary from £25,000 - £27,000 per annum.

Social Security aside, the largest amount of taxpayers' money goes to the NHS. Contrary to common belief, Sir William Beveridge did not envisage its funding to come from taxation but from a National Insurance Fund

'SOCIAL INSURANCE AND ALLIED SERVICES', a report of over 240,000 words by Sir William Beveridge (price 2 shillings or £11.50 by 2003 values) was an instant HM Stationery Office bestseller and Britons queued to embrace their new bible which aimed to produce a fairer society and remove the five giant evils which had ravaged Britain for centuries: war, disease, ignorance, squalor and idleness.

A National Insurance Fund would be built up from contributions paid for by all employees and employers and if necessary by the state, but not directly from taxation as this would be seen as a free allowance from the state.

The desire for insurance had been shown both by the established popularity of a combination of compulsory insurance and a voluntary insurance against sickness:

‘...people have come to regard it as a duty and pleasure of thrift of putting pennies away for a rainy day because management of one’s income is an essential element of a citizen’ (Beveridge Report 1942).

Further pressing the argument for an insurance scheme, Beveridge added:

‘The insured persons should not feel that income for idleness can come from a bottomless pit and the citizens should not be taught to regard the State as the dispenser of gifts for which no one need pay’.

The NHS is the largest organisation in Europe but only 113,941 of its 1.4mil staff are medical (Office of Health Economics). Billions more are being poured into the bottomless pit and taxpayer funded spending was £372bil (NHS and Health and Personal Services) HM Treasury and other health and social services 2003/2004).

The cost in advanced equipment is increasing annually but auxiliary costs such as obesity and binge drinking expenditure should not be borne by the taxpayer.

A 2004 National Audit Office (NA report based on a parliamentary committee estimated that if obesity continued to be funded by the NHS (taxpayer), the entire NHS budget would be sucked into the cost of obesity treatment.

However, pollsters still tell us that voters want more of their taxes spent on the NHS. This is contradicted by a poll on 9th September on TV which found that 35% of viewers felt that the NHS should NOT fund obesity patients but they should have to pay the cost of the treatment.

This points to a realisation that many voters are confirming Beveridge views that an insurance system is the best way to protect the general public and that the taxpayer should not fund the NHS.

The cost to the police and NHS as a result of binge drinking on Friday and Saturdays in many of the nation’s towns and cities is now spiralling out of control. In Nottingham, 10-15 additional patrol staff are now required to keep the bingers under control each weekend. The extra cost to the NHS as a result of the injuries inflicted on and by the paralytic drinkers will exceed £1mil. Taxpayers foot these bills, many of them are pensioners who pay taxes and are double-whammied by the inconvenience and the further strain on their cost of living.

The NAO disclosed that in the 14 months to July 2002, the NHS paid £40mil to staff to stay at home because of disputes about retirement and guideline confusions by Health Trusts.

No insurance would provide cover for these activities and the problems would not arise if Sir William Beveridge's insurance funding had been adopted. Nor would the long bureaucratic chain exist between the taxpayer, Richmond House and the patient.

In July 2004 it was announced that 18 Health Quangos would be abolished ranging from NHS Counter Fraud to the Special Dental Health Authority which does not even exist. The Commission for Patient and Public Involvement was only started in January and had a budget of £20mil which it has already spent on Central and Regional HQs and has now been abolished.

Yet millions of voters still believe the NHS mythology which was created more than 50 years ago and claimed it was 'the envy of the world' and even today, the former Health Secretary, Frank Dobson MP, waxes lyrical about the NHS being the most popular institution in Britain:

'Whatever the problems are with the national health service as it stands it is the most popular institution in the country...more popular than any politician, more popular than the BBC, more popular than the Church, more popular than the monarchy, more popular than the co-operative movement and more popular than elected local authorities'.

In February 2000, the National Audit Office (NAO) reported at least 5000 MRSA deaths which cost the NHS around £1bil annually and one of Britain's leading Teaching Hospitals, Guy's and St. Thomas', as having the highest MRSA rate.

The latest MRSA epidemic in NHS hospitals costing £1bil p.a. is UK based and not prevalent in other countries. In the House of Commons in 2003, the then Health Minister Alan Milburn disclosed that 500 patients die every year waiting for a heart operation in the NHS (HMSO) © and the debate also revealed that 'medical error in the NHS kills more people in this country than motor vehicles, HIV/AIDS or breast cancer' © HMSO.

Although many people under the age of 45 have never been in-patients, they continue to believe that the NHS is 'free' whereas they have paid for it every day of their working lives.

After deductions for tax and NIC, very few realise that additional tax deductions are made when they purchase anything from petrol to videos and clothing to alcohol which funds the NHS (children's clothing and food excepted).

Queue jumping has become the BETE NOIRE of the NHS myth and people taking out health insurance, which includes many union members, actually shorten the number of people waiting for an operation on the NHS.

The citizen's of Croxteth are most likely to be enthusiastic supporters of the 'popular' institution. However, they would have been greatly perturbed if their favourite son had not been rushed off to a consultant after he sustained an injury when playing in Portugal in the European Championships in June 2004. After Wayne Rooney was injured, he did not lie on a trolley in an A&E unit for hours before being seen by a doctor. Nor did he then wait 6 months to see a specialist who then put him on a waiting list for many more months.

He was rushed to a consultant by jumping the queue as he and every other member of the England Team were covered by insurance by the F.A. At home, this private insurance is taken out by Everton F.C., as they and every other major club have to protect their valuable assets.

The non-medical Doctor John Reid, Health Minister, announced a five year plan in 2004 assuring patients 'whole journey' on the waiting list which would reduce 'the waiting list to get on the waiting list'. So should Wayne Rooney sustain any further injuries after 2008, he can rest assured that he will have to wait no longer than 18 weeks to be seen and treated by a specialist on the NHS.

Government (mis)managed expenditure for 2004/2005 lists 'Law and Protective Services' as £29bil. Education as £63bil and Health and other personal social services as £103bil (HM Treasury). The three public services represent 43% of projected government receipt of £453bil. However, Government spending projections are £488bil which means there is a shortfall of £35bil which could be due to the fact that four Government Departments involved with financial figures have no accountancy qualifications.

In an answer to a written parliamentary question on 23rd July 2004, Ms Ruth Kelly, Financial Secretary to the Treasury, revealed that the accountancy qualifications of Hilary Douglas, Finance Director at HM Treasury were 'none' although she was 'supported by a fully qualified head of finance'.

In 1870 Charles Dickens published David Copperfield and it may be helpful if this were to become required bedtime reading for HM Treasury staff:

‘Annual income 20 pounds
Annual expenditure nineteen ninety six
Result happiness
Annual income 20 pounds
Annual expenditure 20 pounds nought and six
Result misery’.

On the eve of the 1997 general election Tony Blair said ‘We have 24 hours to save the NHS’. Addressing frontline health workers 39,408 hours later on 14th November 2001 he confirmed that ‘the (NHS) was being run as an old monolithic bureaucracy.’

It is being funded by ever increasing amounts of taxpayers’ money which is administered by growing numbers of apparatchiks from the central control of Richmond House in London’s Whitehall.

Mr Alan Milburn the former Health Minister spoke in the House of Commons Health Debate in May 2003 and said that ‘...the NHS was formed in the era of the ration book. People expected little say and had precious little. Today we live in a different world. Whether we like it or not. This is the consumer age. People demand services that are tailored to their individual needs. They want choice and expect quality. We all do it and we all know it.’ © HMSO

If politicians of all parties were really serious about giving people ‘choice’, they should persuade Mikhail Gorbachev to come out of retirement to Britain and save taxpayers millions of their hard earned money by culling the monolithic centrally controlled public services.

After all, he not only managed to give people choice in the old USSR but all the satellite states around it. His gigantic task was not made easier by the old police state apparatus but at least here in Britain, there is no such sinister obstructive monster.

Not yet anyway.

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