

## [The Brown Legacy \(Cont\)](#) [1]

Written by [Jan Boucek](#) [2] | Monday 13 September 2010



Even from the political grave, Gordon Brown and his 13-year grip on the British economy continue to make headlines as two events this past week show.

First off was news that HMRC badly miscalculated taxes owed or refunds due for millions of individuals, resulting in a huge effort to rectify matters. With so much to worry about in the present and for the future, such a distraction for the new Lib-Con government is wholly unwelcome.

But the HMRC fiasco comes as no surprise. Mr Brown's entire stewardship of the nation's finances was marked by ever-increasing complexities in tax rates, reliefs, allowances, credits, surcharges and the like. His penchant for big systems like NHS databases and bureaucratic reorganisations to cope with the complexities merely compounded the problem as neither taxpayers nor administrators could cope with it all.

In all this, the cardinal rule for efficient taxation was ignored - keep it simple. It's a point reiterated by our own Dr Madsen Pirie in his recent blog about a speech by the popular economist Tim Harford. He had pointed out that disasters like the recent financial crisis, Three Mile Island and Piper Alpha were the result of a succession of failures in complex systems that only added to the overall confusion.

In another news development this past week, Bob Diamond's appointment as Chief Executive of Barclays Bank was greeted with an initial and quite predictable reaction of horror at the idea of an extremely successful investment banker taking over the top job at one of the world's most successful banks.

The word 'casino' was used by just about every puffed up commentator in derisory observations that demonstrated an appalling misunderstanding of the process of capital allocation. That Barclays didn't need capital injections from the government was dismissed as a mere technicality because the bank benefited from ridiculously low Bank of England rates. Well, yes, but not nearly as much as the government itself which now has a ready market for its debt in the form of gilt purchases by the Bank of England, cleverly obfuscated by the term quantitative easing.

This attitude to the successful is another Brown legacy. He lost no time in blaming the credit crunch on greedy bankers back when the crisis first hit. They were easy targets - much easier than voters who borrowed too much or his own government that ignored the most basic principles of prudent budget management.

Even Tony Blair highlighted the foolishness of running down the successful. 'If you focus on how to deal with this rich b\*\*\*\*\*d here, it's great populism but lousy politics,' he said in an interview with The Sunday Times Magazine.

Given that the Bob Diamond kerfuffle turned out to be just a one-day wonder, perhaps this element of the Brown legacy is now fading away. However, the new government can still expect more such landmines on the road ahead - Mr Brown buried a lot of them.

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[3] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[4] <http://disqus.com>