



Percentage (%) should replace penny (p) in economic analysis

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INTRODUCTION

Our interpretations of phenomena play a major role in how we perceive actions and reality. Should our interpretations be distorted, decisions are likely to be based on this outlook as well. One example of this which has still not been corrected is using penny (p) over percentage (%) in the UK's economic policy.

I will argue that in order to minimise distorted interpretations of economic policies, the UK should begin using percentage instead of penny. This paper is divided into three parts. Firstly, I will examine the issue in detail and trace its historical origins to present a clearer context. Secondly, I will analyse advantages and disadvantages on the current use of penny through an interpretivist methodology. In the last part, I will offer possible courses of action on how penny could begin to be replaced with percentage.

1) THE HISTORY OF PENNY AND PERCENTAGE

Recently, the BBC released an article on how the Welsh Conservative Party was targeting to cut income tax by 2%¹. Instead of using percentage, the article – not unlike many others – used penny to present the issue, stating that it was a 2p cut in income tax. Instances of using penny have dominated much of the UK's modern economic policies and can be traced back to the Napoleonic Wars and the prodigious William Pitt the Younger.

In order to better equip the British Army against Napoleon, Pitt devised new ways to ensure national contributions. He levied multiple new taxes to expand the Treasury and aid the war effort. Because many people at the time were not entirely familiar with the concept of percentage, levying these taxes took a different linguistic turn than today. Instead of stating that income tax would stand at 10%, the policy was phrased around the penny.

For example, Cook states that 'Pitt increased the £1.1s duty that employers paid on every male servant (except those in farming) to £1.5s each for one or two, rising to £3 each if more than ten were kept.'² With this in mind, it could be argued that the percentage/penny issue is a quaint historical feature but does not merit analysis for reform. In other words, is the minor detail of using penny for economic policy really a problem?

The nature of this issue is subtle, but it would be wrong to claim that using penny is a problem just because it is a linguistic fossil.

2) COST-BENEFIT ANALYSIS

The use of penny is better than the use of percentage because it helps to combat ambiguity. As it takes a tremendous amount of effort to draft economic policies and alter rates of different taxes, using an absolute value can clarify complicated economic matters. If the base rate of tax rises by

¹ 'Welsh assembly election: Tories target 2p cut in income tax', *BBC News* 17th April 2016
<http://www.bbc.co.uk/news/election-2016-wales-36058382>

² Cook, J.J. (2010): *William Pitt And His Taxes* (London: Law Publishers)
http://www.taxadvisers.org.uk/content/view/full/1042010/Pitt_and_his_taxes_Offprint1_1.pdf

10%, it can actually mean two things. First, if the base rate of tax is 34% then it will be said to have risen from 34% to 44%. Second, it can also signify that the base rate has risen from 34% to 37.4%, thereby denoting a strictly mathematical 10% increase. Using an absolute unit such as penny resolves this ambiguity.

While this advantage is significant, the cost nonetheless outweighs its continued usage. Under interpretivism, access to reality (given or socially constructed) is through language, consciousness, shared meanings, and instruments³. Therefore, the delivery and mutual reciprocation of language plays a major role in how people apprehend the world around them. Using the word penny instead of percentage thereby impacts on how the realities of economic policy are shaped.

It is thereby worth considering how the value of penny is interpreted today. After years of inflation and devaluation, there is very little that can be bought using mere pennies. The unit has little importance in the daily lives of both British citizens and policy makers. Owing to this, using penny to present the UK's economic policies does not make sense as it plays a causal role in distorting significance. An economic policy would be received more seriously were it to be presented in terms of percentage.

Because the effect of penny on political dialogue is so subtle, it is difficult to specify its impact. However, one example of how using penny to present an economic policy is likely to influence further policy-making is the 2011 Budget's 1p fuel duty cut⁴. While Labour opposed the Coalition Government over this issue, opposition faded out in time. The 2016 Budget continued to freeze fuel duty at the rate set for the sixth year in a row⁵. While this cannot be solely due to the distinction of using penny, it cannot be pre-supposed that presentation played no part in the public's subsequent reaction. Had the fuel duty cut been presented in terms of 1%, opposition from the Labour Party, the oil industry and the public may have been greater

Moreover, not only might the presentation of penny undermine the importance of policies, it can also distort reality by unduly magnifying issues, as with the 37p duty rise on cigarettes introduced in the 2012 Budget. After the announcement, several experts and commentators were expressing their disapproval and claiming that such a step would lead customers to the black market, likely to be 'celebrated by criminal gangs and tobacco control lobbyists.'⁶ Their claims exaggerated the consequences of this measure. Over the two years of this rise, cigarette production went down only by approximately 2%⁷.

³ Dudovskiy, J. (2016): 'Interpretivism (Interpretivist) - Research Methodology'
<http://research-methodology.net/research-philosophy/interpretivism/>

⁴ 'Budget 2011: 'Fuel duty cut plan earns oil industry ire', *BBC News* 23rd March 2011
<http://www.bbc.co.uk/news/business-12831894>

⁵ 'Budget 2016: Fuel duty frozen for sixth year in a row, *BBC News* 16th March 2016
<http://www.bbc.co.uk/news/business-35822029>

⁶ Clarke, J. (2012): 'Smokers Slam Tobacco Duty Rise', *The Independent* 21st March 2012
<http://www.independent.co.uk/news/uk/politics/smokers-slam-tobacco-duty-rise-7580454.html>

⁷ *ASH (2015): The UK Tobacco Industry*
http://ash.org.uk/files/documents/ASH_123.pdf

As with the first example, the reaction to the tax rise cannot be solely due to the distinction of using penny, but neither can the consequent analysis and speculation play no part in the public's reaction. Had this rise been presented in terms of percentage throughout, there may have been less reaction to a perceived minor issue.

Thus, although using penny counters the ambiguity which stems from percentage, it is a minor consideration when compared to the risk of distorting an economic policy's significance. How then is this change to be addressed?

3) RECOMMENDATIONS

It is this distortion which needs to be minimised so as to reduce the hurdles that policy makers face in reaching decisions and to clarify a policy's meaning to the public. As such, percentage should replace the archaic use of penny for the contemporary era. However, this is easier said than done.

There are three ways to proceed in moving on from this tradition. In the first instance, an online petition can be created and campaigned on to raise public awareness so that the issue is debated by Members of Parliament. This is the most direct way with a designated path into the Commons, although it faces a challenge in reaching the required 100,000 signatories.

Another way to proceed would be to contact Parliamentarians, Assembly Members and Councillors with economic briefs so as to gain their support. While both courses of action have their own shortcomings and strengths, it is not unfeasible to pursue both simultaneously.

A non-overt political option also presents itself by reaching out to leading economic organisations so that their reports begin to reflect a change away from penny. This has the potential to begin an organic process whereby the consensus in the UK economic field gradually concludes that percentage is more accurate for analysis.

CONCLUSION

There is strong evidence that the usage of penny instead of percentage plays a causal role in distorting the perceptions of an economic policy's significance. While the impact is subtle and difficult to measure, it is nonetheless influential. While the historical use of penny does have minor advantages, its negatives far outweigh its benefits and as a result, steps should be taken to replace it with percentage.

ABOUT THE AUTHOR

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