

*Reply by JH to TSC nominee hearing. This date: 3<sup>rd</sup> July 2026. [J.haskel@imperial.ac.uk](mailto:J.haskel@imperial.ac.uk)*

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**Treasury Committee Questionnaire for Professor Jonathan Haskel CBE as nominee for Chair of the Office for Budget Responsibility (OBR)**

**Personal**

- 1. Do you have any business or financial connections, or other commitments or interests, that potentially give rise to a conflict or perceived conflict of interest in carrying out your duties should you be appointed as Chair of the OBR?**

None.

- 2. Have you ever held any post or undertaken any activity that might cast doubt on your political impartiality?**

No.

- 3. Do you intend to serve out the full term for which you have been appointed?**

Yes.

- 4. Do you have, or do you intend to take on, any other work commitments in addition to your role as Chair of the OBR?**

No.

- 5. Please explain how your experience to date has equipped you to fulfil your responsibilities as Chair of the OBR. In particular, what experience do you have of carrying out economic and fiscal forecasting, and in leadership and providing strategic direction? Are there any particular areas in which you are lacking experience?**

The experience I can put before the committee can broadly be described thus: I have had the good fortune to combine academic economics with public policy. On the academic side I've been teaching, administering, raising grant money and publishing in academic economic journals. On the public policy side, I have been

most recently an external member of the Monetary Policy Committee (2018-2024), a non-executive director at the UK Statistics Authority (2016-2023) and a member of the reporting panel of the Competition Commission (2001-2010).

Specifically on forecasting, my six years on the MPC (2018-2024) involved a good deal of economic forecasting. Those years covered: the run up to the Brexit agreement, the COVID pandemic (2020), the Ukraine war energy shock (2022) and the mini-Budget crisis (2022). I was voted in every meeting over that period and gave speeches and appeared in front of this Committee to describe and account for the economic forecasts and decisions that I voted on.

Perhaps I might cite one example. When inflation rose and fell in 2022, I took the view that it was particularly important to analyse in detail “second round effects”, namely the mechanism by which a temporary rise in one price, energy, translates to persistent inflation (i.e. a persistent rise in all prices). One such mechanism is that wages and prices chase each other. A model had been developed at that time and applied to the US by the eminent economists Ben Bernanke (2022 Nobel Prize winner) and Oliver Blanchard. My Bank team and I estimated the model in quick time for the UK, obtaining estimates of this wage-price spiral, second-round effects, the salience of food and energy prices and the tightness of the labour market. I used this in discussions around the MPC table and as an important input to my policy decision. To be clear, I do not claim this is the “correct” model of the UK economy. Rather, I offer this as evidence of my interest and experience of economic forecasting.

Regarding fiscal forecasting, I have less independent experience of this, since the MPC tradition is to rely on the OBR for such forecasting. I trust that my forecasting background and familiarity with the OBR methods will enable me to learn quickly from the excellent OBR staff.

Turning to leadership and providing strategic direction, I have had various leadership roles, including Head of Economics at Queen Mary, University of London and on the Business School management board at Imperial. On the UK Statistics Authority Board, I was the only economist non-executive director. I tried to “lead” on the economic issues, in particular emphasising the need to focus on the basics of ONS operations. I undertook several visits down to Newport and interacted with ONS staff. Since April last year I have chaired the National Statistician’s Advisory Committee on consumer prices. I have tried to form a more strategic view about the priorities for consumer price data and interacted closely with staff

Finally, I have managed, as lead investigator, a number of large academic grants including COINVEST, a cross-country, multi-partner FP7 grant (around £2m in 2026 money), ESRC and NESTA grants on productivity and innovation (around £1m).

### **The Office for Budget Responsibility**

#### **6. How will you protect your personal independence and the institutional independence of the OBR?**

***Note.** My comments below, when asked what I would do as Chair, are of course prefaced by “if confirmed by this committee...”. For brevity, I hope TSC members will forgive me for not repeating it every time.*

I think it important to make an overarching point. The UK has a remarkably healthy independent ecosystem of economic and economic/political commentators. Examples include independent think-tanks, City analysts and academia. All these institutions provide a rich source of economic ideas in theory and practice. I believe that this background will contribute to holding me, if confirmed by this committee, and the OBR to account as regards its independence (as well as its analytical thinking and judgements).

With this background in mind, some specific comments. Regarding the institution, I believe independence can be served by continuing to base decisions on a solid evidence base, informed by the latest data and proven analytical techniques. This can be achieved in full consultation with the body of experts. For those inside government for example, they would be bodies such as HMRC and DWP for tax modelling. I would also seek to keep excellent relations with data providers such as ONS. I note as well the obligations of the OBR to communicate clearly and transparently its forecast methods and judgements. This is an important element of outside checking of the independence of the OBR's processes.

In addition to the outside bodies above, if confirmed, I look forward to responding to the various formal recommendations for OBR such as those from the Lords Economic Affairs Committee and the ongoing investigations of this committee, as well as formal external reviews that OBR is obliged to conduct.

On a personal level, I shall seek the candid views of others. In particular, I aim to be responsive to Parliament in general and this committee in particular. I shall

also seek advice from the Oversight Board and the OBR standing advisory boards. Both reflect the rich economics ecosystem referred to above.

**7. What will be your priorities as Chair of the OBR, and what do you see as the key challenges facing the OBR?**

In answering this, I think it helpful to set out three basic questions for any independent fiscal institution (IFI). First, why have an independent IFI anyway? Second, what should an IFI do? Third, how should it do it? In the light of this, I would set out my priorities and key challenges for the OBR under those headings.

First, the purpose of an OBR-like body is to provide credibility for the budget plans of any government. Evidence suggests that an IFI lowers borrowing costs for governments by providing such credibility. Thus, governments can set whatever fiscal rules they wish: the purpose of the OBR is to avoid governments “marking their own fiscal homework”. Thus, my first priority is to emphasise that the OBR is there to help, not to hurt. This is the key challenge, for if the OBR is not perceived in this way, its value will wane.

Second, what should any IFI do? To me, the relevant question for the OBR here is the breadth of its activities. The OBR, in my view, is a lean organisation given what it must currently do. It does not have the capacity to, for example, cost fiscal plans of political parties. My view then is to keep the OBR’s breadth of duties where they are now and try to avoid the challenge of “mission creep”. In coming to this view, I was mindful of the discussion at the recent TSC hearing (19<sup>th</sup> May) where Professor Elmendorf, past CBO head, pointed out that election campaign promises are rarely as clearly spelled out as the OBR needs.

Another point that has come up repeatedly is that the work of the OBR on long-term sustainability of the public finances attracts less attention relative to other work. A challenge will be to try to raise the profile of that work, perhaps by continuing to place the evolution of the public finances in its long run context. This is helped, as mentioned above, by the rich ecosystem, in this case, of monetary historians.

Third, how should any IFI undertake their activities? I group the priorities and challenges under three broad headings. First, on governance, I will continue to prioritise the OBR’s interaction with Parliament in general and the TSC in particular. Whilst on the MPC I made several appearances at the TSC, and I hope I was able to be transparent and informative. I want as well to make sure OBR has

a strong governing Oversight Board. The Board has, as I understand it, been an invaluable source of advice and guidance and is a priority.

The second broad area is funding. The move to a three-year rolling settlement is to be strongly welcomed. I will engage with HMT to make sure the OBR is adequately resourced. This of course relates to independence (as Laura van Geest, author of the most recent [review of the OBR](#), has pointed out, inadequate funding is a backdoor method of undermining an institution)

The third broad area is what I might call operations. Here, with apologies for further subpoints, I include the following. First, communications. I will review the work done on the Budget pre-release incident last year. My understanding is that the OBR has worked extensively on this, bringing in expert views and making evidence-based changes to processes. I would keep this under review. More broadly, I regard the whole area, which includes cybersecurity in general, as a priority for any organisation.

Second, I consider it important to maintain what I have found to be the first-rate skill in the organisation and commitment to purpose. I hope to do this by keeping the relatively flat hierarchy and being an accessible colleague.

Third, forecasting. The questions below touch on this some more, but at a broad level, I would build on what I think has been very good work by the OBR in setting out its thinking on a range of issues. The OBR model is extensively described in a way that other forecasting models are not. OBR have also been extremely open in having their forecasting reviewed and assessed externally. The process around estimating the effects of public investment for example has involved discussion, the issuance of a research paper clearly setting out methods and current evidence and a second round of interactions.

Fourth, operations rely on ONS data, and I will continue to interact with ONS as they prioritise their data collection efforts and develop new measures of e.g. new technology such as AI.

Finally, a challenge for me is that I do not at this stage have sufficient understanding of how the OBR interacts with devolved administrations. I spent a good deal of time and effort when on the MPC visiting and interacting with the Bank's regional agents and prioritised giving speeches all around the country. I would aim to do the same as appropriate with the OBR's role.

## **8. How would you assess the track record of the OBR to date?**

OBR is both a young and small organisation that has, in my view, achieved a remarkable record in establishing itself as an essential and trusted part of the UK economic policy landscape. As the independent assessor [Laura van Geest](#) pointed out, it was widely felt undesirable that the OBR was omitted from the mini-Budget process in 2022. Witness the wide support amongst Parliamentarians for the series of legislative changes, encapsulated in the Budget Responsibility Act, 2024, that has further enshrined the role of the OBR in the policy round. This is a mark of confidence in the institution and a testament to what the staff have achieved.

Of course, like any organisation, there are aspects that have been criticised. Regarding these aspects of the track record, I note the following. First, the IT problems at the last budget have been extensively investigated and action has been taken. As mentioned above, I have tried to acquaint myself with this, which requires some specialised knowledge, and will spend time on this area.

Second, aspects of the OBR forecasting record have been criticised. In the light of this general feeling about the failure of economic forecasting, let me note some broad points. It is important to repeat the point that an economic forecast is *both* a set of behavioural relations (e.g. what happens when oil prices rise) *and* an assumption about the path of future economic variables determined “outside” the forecast (e.g. the future path of the oil price). A forecast can be inaccurate then because the behavioural assumptions do not hold, but also because the path of important future economic variables changes.

We can move from this rather abstract point to a real-world case study, namely the Bank of England’s “miss” of its inflation forecast in mid-2022. As discussed in Section 5.3 of the Bank of England January 2026 Forecast Evaluation, in August 2021 inflation for mid-2022 was forecasted at just below 3%. In fact, it turned out to be just over 11%, a nine-percentage point miss (using rounded numbers). Why? In that August 2021 forecast, wholesale gas prices were assumed, using external information, to be around 60p per therm. In the event, following the Russian invasion of Ukraine, they were over 400p per therm. Thus, around half of the nine-percentage point error in the inflation forecast was due to unanticipated changes in energy prices, determined outside the model. (Further much of the rest of the miss was accounted for by other global factors, such as export prices, again outside the model).

The OBR's recently released 2026 Forecast Evaluation Report contains a similar message. The five-year ahead forecasts for 2024-25 were produced in 2020, early in the Covid pandemic. Remarkably, those short-term forecasts were described as "reasonably accurate": a notable point, since the pandemic was the worst shock to GDP in peacetime. However, the OBR (and the BoE) did not forecast well the persistent inflationary pressures post-pandemic.

All this is not to say that economic forecasting is hopeless. Rather, it points to ongoing work to improve, here modelling the second-round effects of inflation shocks. Likewise, the OBR has put a lot of effort into modelling another source of economic turbulence, namely shocks to trade via tariff policies. These are particularly salient to a small open economy such as UK, as well as difficult to model given the volatility in announced trade policy.

It is also worth noting that the OBR must forecast a large range of phenomena that other agencies do not. For example, the OBR forecasts property transactions (to then forecast stamp duty revenues); likewise, the OBR forecast review cites the need to evaluate forecasts of insurance premium tax receipts and onshore corporation tax receipts. OBR has also to forecast not only CPI, but RPI. This makes it hard to draw upon widespread external comparison.

A central criticism has been on the productivity forecast. I comment on these issues in more detail below, but an overall comment is in order here. It is decidedly not the case that the OBR has left its productivity forecast untouched since the financial crisis: it has been downgraded successively since then. I think it right for the OBR to have been cautious. The economy has been hit by a series of external shocks that have affected productivity. That picture has been further obscured by the repeated difficulties that the ONS has had in measuring both the output and input side of the economy. Finally, OBR is responsible for making longer run forecasts that most other forecasters, e.g. City analysts. It is perhaps right for OBR to move more slowly than those being judged primarily upon their very short run forecasts.

The final point on the track record is that OBR is, I believe, comparatively much more open about its method and assumptions than many other forecasters. I think it important to continue this policy.

## **9. By what criteria should your track record as Chair of the OBR be assessed?**

As set out in the OBR's Annual Report and Accounts, the OBR's mission, enshrined in legislation, is first and foremost to provide an independent and authoritative

analysis of the UK's public finances. In doing so, it provides both short and long run forecasts, communicates what it is doing and engages with other experts and like international bodies. In the light of this, the criteria to judge the OBR should someone interlocking.

First, its success in maintaining its independence. Second, its success and transparency in forecasting, taking account of the unanticipated shocks that hit the economy but also being open about methods and assumptions. Third, its communication with outside bodies, be they the public, experts in the various fields and/or peer bodies. Finally, there are a series of internal/operational measures by which the Chair should be judged. These are various matters, perhaps the most import of which is to continue to ensure a known funding path consistent with the OBR's mandate. Other issues under this heading include, keeping within budget, staff satisfaction, including recruiting talented and diverse staff and a stable arrangement for OBR premises.

#### **10. What is your assessment of the way in which the OBR evaluates the Government's performance against the fiscal rules?**

The OBR is charged with commenting on whether the government has a better than 50:50 chance of meeting the chose fiscal rules. The practical implementation of this has come up against a series of difficulties. First, unfortunately, this has on occasion boiled down to a focus in the media on a single metric in the fiscal forecast, namely headroom. This is despite the OBR's attempts to stress scenarios, uncertainty and provide sensitivity analysis. Of course, the OBR cannot in the end dictate what the media reports. Second, it is of course the case that some government policies might take a long time to bear fruit. Yet longer term forecasts depend inevitably on more assumptions and are subject to more shocks.

Finally, a key challenge is presenting the uncertainty around any forecasts. Here the OBR has evolved methods that external commentators have generally praised. So, for example fan charts have been used to communicate uncertainty around the central forecast, as have scenarios. That said, I consider it important to maintain a central forecast around which scenarios can be judged.

I identify some other challenges as well in evaluating performance. First, there are some policies, such as rises in fuel duty, which although announced, have often not been implemented. This raises the question about whether the OBR should in

some sense second guess what government policy might be. This is a difficult area which risks invalidating the OBR's forecast on the basis that commentators might reasonably say it is not a forecast based on what the government's policy is. I note the OBR has recently judged fiscal rules with and without such rises.

Second, evidence suggests that much of the forecast misses have been due to announced low DELs future years with little detail being replaced by actual high DELs when the future materialises. This has been mitigated by the recent changes in the forecasting period to cover a three-year horizon.

**11. What is your assessment of the way in which the OBR models the impact of government policy and public investment on economic growth?**

The modelling of government policy and public investment on growth requires taking a view, broadly, on the direct and indirect effects of such policy (dynamic scoring). There are, again broadly, three sets of indirect effects of a policy. First, behavioural effects of a given policy. A reduction in fuel duty for example, changes the tax take on the existing level fuel consumption, but also changes the level of fuel consumption itself. Second, demand side effects: overall spending might change. Third, supply side effects; any changes in potential output of the economy.

How then are these effects judged? Regarding government policy, we might split judgements into two broad areas, judging taxation and judging regulation. For taxation, OBR rightly relies on an expert body of knowledge, particularly at HMRC and DWP on the direct and indirect effects of various tax and benefit policies. These bodies have long experience, and proprietorial data, upon which to model policy. Independent assessors have found evidence of good relations between OBR staff and DWP/HMRC staff. Of course, there will be comparatively new taxation policies where the evidence base is necessarily less well-founded, but in general this is the right approach and likely covers a large amount of the policy evaluation work that the OBR must do. Further, there is much work by other researchers on the direct and indirect effects of tax changes. Thus, the estimates here can be calibrated against other bodies of work, aiding judgement.

Matters are harder for what might be termed policies around regulation. There are two particular problems here. Government agencies have a less developed evidence base around, for example, changes in the law governing employment contracts or public ownership. Further, given that numerous regulation-style

policies are already being enacted, scoring a newly announced policy requires a baseline to which the new policy adds and the certainty that the new policy will not be outweighed by some other policy change. As an example of the latter, commentators have argued that despite the announced policy of increased housebuilding, housing starts in London have fallen sharply due to additional building requirements following the Grenfell fire.

I would advocate three broad approaches to scoring here. First, departments must be clear on the relative-to-baseline effect of policies and possible clashes. Second, it is right to have a threshold figure to judge policies by, or else too many resources are taken up evaluating small policies. Third, if policies get over these important lines there is often at least some experience to draw upon; a variety of approaches across the regions and countries plus the National Audit Office who have reported on various public sector/regulatory outcomes. I have also found the legal community can be an excellent source of evidence. Even if lawyers are not directly versed in economic concepts, they can often be a compelling source of knowledge on the practical implementation of legislation and indirect effects.

Turning now to public investment, I think this is an area of strength for OBR, in terms of the marshalling of evidence, communicating of views and responding to feedback. The OBR's recent paper on the output effects of public investment was an impressive document, setting out concepts and reviewing the existing evidence base well. It came to a central estimate of the long-run elasticity of market output with respect to the government capital stock of around 0.1. It sought feedback on that estimate and responded to such feedback in a follow-up document. In taking this work forward, I would note two points. First, that there is a demand for separate estimates for different parts of public investment: transport and R&D for example. This might be developed further if the evidence is robust enough. Second, as discussed in the paper, the evidence on public investment is often state-dependent. Public investment in transport for example is often undertaken when transport systems are very congested, at which point the rate of return is likely to be particularly large.

**12. What is your assessment of the way in which the OBR monitors and communicates the long-term outlook for fiscal sustainability?**

Most commentators find that the OBR monitors and communicates the long-term outlook thoroughly and I find no reason to depart from that view. The main problem, which has been pointed out on numerous occasions by TSC, is that discussion of these important issues seems to be minimal relative to the more

short-term projections. I am open to the government providing, for example, a detailed report on their plans in the light of this report, or a set of scenarios which the OBR might then examine, but that would be a matter for government.

Perhaps most important driver for the long run analysis of fiscal sustainability is TFP growth. Here the OBR has been open about how it will score supply side measures, see the discussion below. The issue here is about deep underlying structural forces (such as technology change) and/or supply side government policy that typically takes a long time to play out. One point is that underlying structural forces are often common with other countries. So, this may well be an area where international cooperation between forecasting agencies will be a useful source of evidence.

**13. What is your assessment of the way in which the OBR constructs its forecasts of medium- and long-term productivity and economic growth? How do you expect to bring to bear your own research and views in this area?**

Economic growth is the joint outcome of the growth in productivity, being output per hour and hours worked. In turn, hours worked is a function of population growth, participation of that population in the labour force, and the hours worked by those who are participating. It is clear therefore that modelling medium- to long-term productivity and economic growth requires the detailed modelling of several variables subject to large degrees of uncertainty.

Let us then review these measures. We start with hours worked. As above, this requires a projection of the overall population. ONS provide population projections which most government agencies rely upon. What has become clear is that population projections are highly dependent on migration flows, which in turn are highly dependent upon the various push and pull factors for those wishing to come to the UK. I think the current OBR method to use the migration projections as a base but adjust them (in the light of expert advice) to reflect policy changes is right.

Second, projections for participation. These have shown dramatic changes over the pandemic with changes in inactivity especially. I am not sure that we are clear on whether these changes reflect changes in underlying behaviour or uncertainties around the difficulties that the ONS has had in conducting the Labour Force Survey. Once again, keeping close contact with the ONS is going to be very important here.

Finally, projections for hours worked should also rightly rely on ONS projections as a base but with appropriate adjustments. Hours are complicated to model depending upon the various incentives in the labour market for hours worked, the interaction with the benefit system and with different contractual forms (such as self-employment).

I turn now to projections for productivity growth (defined as output per hour). Productivity growth depends in turn upon growth in human capital, tangible capital (such as machines, vehicles and buildings), intangible capital (such as software, R&D and business process), the efficiency with which all these inputs are used and the progress of science and technology. OBR currently forecasts measured capital growth via its investment forecast. These forecasts, involving as they do the direct and indirect effects of capital taxation, are relied upon by most other government agencies. I would not propose any drastic changes in this area other than to examine whether disaggregated forecasting of capital asset growth might be feasible.

The difficulty with forecasting productivity growth is that the contribution of measured capital assets the overall productivity growth turns out to be rather small. Instead, productivity growth seems to depend rather more on inputs that we can't measure: changes in the types of business organisations, and changes in the efficiency with which inputs are used, which includes changes in unobserved utilisation over the business cycle. To add further complications, the measurement of both the outputs and inputs is subject to a good degree of uncertainty. For example, GDP is revised as the ONS obtain better data and the measurement of inputs changes as for example improved quality adjustment of technology goods is introduced, or changes in the accuracy of measuring hours.

How then to make progress in this area? My overall view is that AI is likely the biggest technological change to occur in recent history and therefore should be a constant theme in the OBR's work. Regarding productivity, I would identify the following features. First, to work closely with the measurement community to be both aware of and contribute to the measurement conventions adopted.

Second, with the ongoing widespread take-up of AI, to develop robust diagnostics perhaps in consultation with the frontier AI firms of quality changes in company AI inputs. This engagement would potentially mirror the OBR engagement with health and energy experts in the pandemic and in the Ukraine energy price crisis.

Third, and related, is to make sure the OBR investment forecasts include AI. To a first approximation, the adoption of AI by AI users is the adoption of a bundle of hardware, software and data. Hardware is measured in the national accounts as is software. Data is yet to be treated as an asset but will be so treated in the national accounts. Thus, OBR should look at AI assets. Turning to AI producers, investment involves investment in data centres and R&D in the production of AI software. In turn, this involves monitoring measures of R&D, particularly in non-traditional sectors such as the services sector (information services has become one of the largest sectoral contributors to R&D and this is where AI providers are located).

Fourth, a notable feature of productivity growth performance since the pandemic has been the productivity performance of the public sector. Before the pandemic the contribution of the public sector to overall productivity growth was either positive or roughly neutral. Since the pandemic that picture has changed. In particular, industry section Q, human health and social work, now accounts for around 10% of gross value added and has dragged significantly on overall productivity growth. The monitoring of the public sector will be an important priority for OBR.

## **The economic and fiscal outlook**

### **14. What is your overall assessment of the prospects for the UK economy and public finances in the short and medium term?**

The short-term prospects for the UK economy are dominated by events in the Middle East and the consequent volatility of oil prices. Volatile crude oil prices feed through almost immediately into inflation given fast translation into petrol prices and the 3% weight on petrol in the CPI. Sustained high oil prices feed through more gradually to the CPI via the direct effect on firm costs and, as was found in recent years, food prices. Another lesson of the war in the Ukraine was that inflation was driven to a very large extent by natural gas prices, owing to the succession of energy policy decisions that have left the British economy disproportionately dependent upon gas as the marginal source of supply (roughly, in European economies gas is the marginal source of supply 40% of the time; in the UK it is 80% of the time). Crucial then to the economic outlook is the geopolitics that driving these oil prices. Coming in the context of elevated inflation for several years, I regard this as a risk of embedding inflation somewhat into the UK economy, necessitating more of a rise in interest rates than had been

expected. My forecast would be in the medium term of somewhat higher interest rates and weaker GDP growth than most are expecting.

The medium-term prospects for the economy, to me, depends strongly on how the AI revolution plays out. This in turn depends upon the effect of AI on productivity and the labour market. I set out my expected effect of AI on productivity below. As for the labour market, a crucial issue for the public finances is the labour share of GDP, given how much taxation is of labour income. There are two broad views of what might happen to this labour share as the AI revolution plays out. The first is a decline in the labour share as ever cheaper AI-enabled machines substitute strongly for labour. This is what the leading American economist Chad Jones calls a “strong links” economy. The alternative view is a “weak links” economy. Under this scenario, AI cannot substitute for large numbers of labour tasks. Therefore, as AI gets cheaper, the share of the economy accounted for by AI capital falls because the price of AI falls by a higher percentage than the use of AI increases.

Work on isolating these elasticities of substitution is at an early stage but my preliminary reading of these results (full disclosure: this is work I have done with colleagues) is that the “weak links” scenario is the more realistic one. Previous ICT revolutions suggest that when, for example, computer hardware and communication equipment was getting much cheaper, there has been sufficiently low substitutability away from labour such the share of ICT capital rental payments in GDP has fallen.

Turning to the short- and medium-term prospects for the public finances, these are covered most recently in the Economic and Fiscal Outlook, March 26. I set out the more long-term stresses below, but the current figures show borrowing at around 5% of GDP falling to around 1.6% of GDP in 2030-31, driven mainly by increased taxation due to successive freezes in the thresholds for personal taxation. The debt/GDP ratio rises from a current level at around 91% of GDP to nearly 95%. Much of this is due to increased borrowing rates. Those higher borrowing rates are common across advanced economies in recent years but appears to have been more concentrated in the UK. Contributing factors include the UK having experienced higher and more persistent inflation since the Russian invasion of Ukraine, a larger increase in total government debt and a shift in the composition of demand the government debt away from defined pension schemes towards buyers who are likely to be more price sensitive.

**15. How do you see the prospects for UK productivity growth, including the impact that AI technologies may have?**

I'm optimistic about AI boosting UK productivity growth for the following reasons. First, many people regard AI as what historians of technology called a general-purpose technology, namely a technology that could be applied in many areas of the economy. My view, and I think this is backed by growing evidence, is that AI is more than a general-purpose technology. It is also an innovation in the very method of innovation. That is, AI can be applied not only in the production of *goods*, but the production of *ideas* that lead in turn did the improvements in the efficiency and technology with which goods can be produced. Witness for example the growing use of AI in the R&D process, such as the modelling of complicated air flow at high temperatures through aero engines or in nuclear fusion.

This means that the effect of AI on the productivity has two dimensions. Firstly, AI will increase productivity according to the size and productivity advance of the AI- and ideas-producing sector. The productivity advance in that sector is of course extremely rapid as for example, new methods e.g. to process language and data are being continuously invented. Fortuitously for the UK, the AI-producing sector (e.g. software development) is relatively large, concentrated as it is in areas such as King's Cross in London and around Britain's leading research universities.

Second, effective AI in the economy will come from the use of AI in producing goods and services. Here we already seeing implementation of AI in, for example law firms and other business services. Quite how this will play out depends upon the effective adoption and implementation of AI both in existing firms, but also in the ability of new firms with new ideas to enter the market.

An important caveat to this is the role of AI in the public sector. As discussed, it is unfortunate the largest component of the public sector, namely human health, has been in recent years a drag on overall the productivity growth data. If AI can be implemented in the health sector in a way that improves patient outcomes, be it in the front-line treatment of patients, or in the administrative and organisational process behind that treatment, the potential for growing productivity is extremely large.

Finally, all this is in the context of a stable economy, particularly in our trading arrangements, and one that is flexible enough to enable the entry of new products and ways of working that consumers and firms value.

**16. What are the most significant medium- and long-term risks to the sustainability of the UK's public finances?**

As the most recent (July 2025, the July 2026 report came out after this document was drafted) [Fiscal Risks and Sustainability](#) report points out, the UK has been subjected to numerous and repeated adverse shocks over the past few years and, perhaps not surprisingly, finds itself with internationally high levels of deficits and debt, relative to GDP. This puts the UK in a difficult position to fund ongoing commitments and insure the country against future adverse shocks.

The most significant medium- and long-term risks are well-known and set out in successive issues of the FSR from which I do not demur. First, health and pension spending. These are the two largest items in government spending. Health spending, currently around 10% of GDP, was 6% 30 years ago and is forecasted to be 15% in 50 years. State pension spending is currently around 5% of GDP, having been 2% of GDP about 50 years ago and forecast to rise to almost 8% of GDP in 50 years (almost 60% of this increase is forecasted due to the triple lock).

Second, the FRS sets out how climate change is estimated to reduce GDP by 8% in the early 2070s. Further, the required costs of mitigation, estimated at £30bn pa to 2050-51, consists of costs of public investment in buildings and transport and tax losses from declining hydrocarbon consumption.

Third, migration is a key element determining growth and, depending on the age/skill structure of migration, activity rates and net tax receipts (these depend as well on dependants that accompany the main migrant).

Fourth, some of the more short-term developments seem to have turned, plausibly, into long-term pressures on the public finances, namely a rise in the need to spend more on defence and a decline in global trade levels.

Fifth, given that the fiscal targets are expressed in terms of the PSNFL, then risks to those targets depend on risks to the public sector balance sheet. These in turn are driven by transactions in assets (e.g. buying new assets and receipts), valuation changes (e.g. write downs of non-performing student loans), and classification changes (e.g. if ONS were to move institutions in and out of the public sector such as water companies).

Sixth, interest rate levels and perceived UK risk premia are an important pressure, especially as the marginal investor in UK government bonds seems to be becoming more price sensitive.

Finally, all this is in the context of a low growth economy. Were low growth to continue, these pressures would of course be even more acute. The upside

scenario would of course be technical progress that improves growth and leads to new discoveries which improve, for example, treatment of the older population and climate mitigation.

**17. What capacity do you think the UK economy has at present for expansionary fiscal policy?**

To answer this, I rely on current forecasts. Based on this, my central view is that the UK economy has at present little capacity for expansionary fiscal policy. A glance at table 3A of the February 2026 Bank of England Monetary Policy Report contains the central projection for slack in the economy. At that time, they estimated current slack of -0.9 percent of potential output, narrowing to -0.5% by 2028Q1, and -0.2% 2029 Q1. At the same time Inflation was forecasted to be somewhat below target. Now, given that the Bank's price Philips curve has a responsiveness to inflation of around 0.3, it is possible that a precise narrowing of excess supply in 2027Q1 and 2028Q2 would have brought inflation back to target. But this relies on the diagnosis of excess supply, which in my opinion is uncertain.

Of course, since that forecast was constructed, we have had an upward shock to oil prices following the tensions in the Middle East. At time of writing, that upward shock is somewhat abated, but the situation is still extremely volatile. Importantly however, we know from experience that a supply side shock such as the rise in the oil price cannot be helped by demand-side fiscal policy. Thus, even if one thought additional slack in the economy had opened up, expansionary fiscal policy would be inconsistent with bringing down the current inflationary pressures in the economy.

**18. What do you see as the largest analytical problems facing the OBR as it considers its assessment of the prospects for the UK economy and public finances in the short and medium term?**

Drawing together some of the analysis above, my view of the largest analytical problems facing the OBR would be the following. First, AI will have a profound effect on product, labour and financial markets. Second, almost certainly further shocks will hit the economy, requiring analytical improvements in the ability of any forecasting agency to understand both their direct and second round effects. Third, institutional changes in, for example, ownership and devolution would provide further analytical challenges on how they should be incorporated into economic models.

***Please provide a full CV when returning this questionnaire. The Treasury Committee will publish your answers to this questionnaire alongside your CV. All documents should be provided in Word and PDF. Please provide these documents by 10am on the 6th July 2026. This document, and any answers provided, are confidential to the Treasury Committee until published by that same Committee.***