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## **Questionnaire for BRC appointment: David Miles**

### **A. Personal and Professional Background**

1) Do you have any business or financial connections or other commitments which might give rise to a conflict of interest in carrying out your duties as a member of the BRC?

I do not have any financial investments which create any conflicts – my pension and other assets are held in index tracking funds and are not actively managed; I do not own significant shares in any individual companies. The other professional activities that I might continue as a member of the BRC are described in my answer to question 10; I do not believe they create any conflicts with the BRC role.

My wife works for an educational charity.

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) Please explain how your experience to date has equipped you to fulfil your responsibilities as a member of the BRC.

For 35 years I have worked as an economist. I have had a wide range of roles in Universities and in both the public and private sectors.

The central issues for the OBR concern the path of government spending and tax revenue and the ways in which the debt issued to fund the gap between the two adds to the stock of past debt to generate funding costs into the future. How these things evolve depends on many forces. Demographic shifts, global financial developments, productivity changes, sudden economic shocks, and changes in the patterns of work and household saving all have a major influence on the fiscal position; they are also affected by tax and spending decisions. I have a long-standing interest in understanding the interactions between these factors, reflected in my work as an academic economist, as a policy maker and in the research departments of investment banks.

Between 2009 and 2015 I was a member of the Monetary Policy Committee at the Bank of England, closely involved with assessment of the economic outlook and in forming policy in a period when large scale asset purchases became a key tool of policy. Assessing the path the UK economy might take over the next several years – including judgements of the risks around a central forecast – was an essential part of that role.

As chief UK economist at Morgan Stanley between 2004 and early 2009 I headed the team assessing financial market and real economy developments. I worked in collaboration with the Institute for

Fiscal Studies on their Green Budgets of 2005, 2006, 2007 and 2008. I contributed a chapter on the bond market and deficit financing for the recent IFS 2020 Green Budget.

I have written several reports for governments. In 2003 I was asked to undertake a government review of the UK mortgage market which I completed at the Treasury in 2004. In 2016 I undertook a review of the measurement and reporting of gilt prices for the UK Debt Management Office; its recommendations were implemented in 2017. In 2018 I wrote an assessment for the IMF of the effectiveness of its monitoring of the UK economy. In 2019 I wrote a report for the New Zealand central bank on its proposals for changing its system of bank regulation.

Some of my research has focused on the interaction between financial markets and the wider economy with extensive analysis of the market for government bonds. Some of my academic work (partly conducted for the Japanese government) has assessed the implications of demographic shifts on pension systems, asset prices and on housing. More recent academic work has focused on the impact of very low interest rates on asset prices, focusing on effects on the housing market and the implications for government debt management. Analysis of uncertainty, and the appropriate policy response to it, has been central to all this work.

Over many years I have undertaken analysis of the impact and design of regulations on financial markets – particularly on banks. More recently I have worked with the central banks of New Zealand and of Ireland with a focus on financial risks.

I have recently written on the impact of different policies to counter the damage done by the Covid virus; these have been published in medical and economic journals.

As well as academic articles and policy reports I have written a textbook on macroeconomics, a book on the economics of housing and an edited volume on the economics of public spending.

I have had a long-standing connection with the Institute for Fiscal Studies – serving as an editor of its journal *Fiscal Studies* for several years and becoming the Chair of its governing body of Trustees some years ago (a position I would step down from should I be appointed to the BRC).

5) Which of your publications or papers are of most relevance to your future work on the BRC?

I will mention just a few papers – my cv shows a fuller list of publications.

[“Managing Much Elevated Public Debt”, chapter 5 of the IFS Green Budget, October 2020](#) (joint with Carl Emmerson and Isabel Stockton) considers the implications of shifts in interest rates for the cost of servicing the UK government’s debt. It assesses how the enormous purchases of government bonds by the Bank of England changes the way in which debt interest evolves as market conditions change.

[“UK House Prices and Three Decades of Decline in the Risk Free Real Interest Rate”](#) with V. Monro, forthcoming in *Economic Policy* (2021). This paper analyses why UK house prices have risen so much over the past forty years. It finds that the steady and very large decline in real (inflation-adjusted) interest rates is the most significant factor. We assess how future changes in such rates might impact the housing market. The favourable tax treatments of owner-occupied housing is a factor behind high house prices and potential impacts of changes are considered.

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**“Modelling the Impact of Demographic Change Upon the Economy”**, *The Economic Journal*, vol 109, no 452, pages 1-37 (1999). This paper estimates how ageing of the population might affect the growth rate of the economy and the rate of return on investment. An important part of the analysis is modelling how household aggregate savings evolve as the age structure of the population changes generating knock on effects on interest rates. (Paper attached separately).

**“And Yet It Moves: Inflation and the Great Recession”**, the *19th Geneva Report on the World Economy*, with Ricardo Reiss, Ugo Panizza and Angel Ubide, October 2017. This report assesses why inflation moved lower after the global financial crash and the role of government and central bank policies in accounting for sustained low inflation until the most recent months.

**“How much risk is the USS taking?”** *National Institute of Economic and Social Research Policy paper* no 29, September 2021. This paper estimates the scale of the risks to the sustainability of the University Superannuation Scheme (the biggest private sector pension scheme in the UK). It uses techniques to assess risks to viability given the uncertain inflows and outflows of funds over a very long horizon. Those techniques for risk assessment are ones that can usefully be applied to the quantification of fiscal risks facing UK governments.

## **B. Performance in the Role**

6) What criteria should be used to assess your individual record as a member of the BRC?

The economics expert on the BRC has a major role to play in the analysis of economic forces that influence the fiscal outlook. Careful analysis of fiscal risks, and effective communication of it, is particularly important. This is an area where I aim to play a significant role. The economic judgements that are central to the overall assessment of the fiscal position should be evidence based and reasonable given the information available. I would expect to be judged on how well those views can be explained, the reasoning underpinning them and how they stand up to scrutiny – particularly at the Treasury Committee.

One of the most important roles of the BRC is to draw attention to the implications of current policy decisions for the balance between taxes and spending stretching into the future which are consistent with fiscal sustainability. My contribution to this analysis and to ensuring it is given prominence is something I should be judged on. Once again consideration of risk is central here. (To give one example, if debt relative to GDP were to rise in bad times, and in good times were merely to stabilise, then debt would tend to rise over time and while this might be sustainable for long periods if interest rates stay low it could create rising risks of sudden problems if they do not).

The assessment the BRC makes of risks (to fiscal deficits and the stock of debt) should ultimately be consistent with the outcomes; where outcomes are outside the range considered plausible I should be able to explain why and what can be learned from that.

It is particularly important that I make best use of their knowledge and insights of the economists in the OBR and other government departments and am also able to help them with their analysis. I aim to do this in a way that is inclusive and encouraging, particularly to younger people. I should be judged on the extent to which the many people involved in economic analysis from the BRC thought I was effective, helpful and insightful. An important part of my contribution will be draw upon my links to academic researchers.

Should pressures emerge from time to time that could impinge on the independence of the OBR I should be expected to resist them and I fully intend to do so.

7) What will be your priorities as a member of the BRC?

It will be a particular priority to maintain a focus on long-term fiscal sustainability when short-term pressures on government will be severe. In this area analysis of risks – necessarily moving away from a focus on a single central forecast – is essential. Helping to develop tools to illuminate such risks (for example through use of stochastic simulations) is important. I have experience of analysing such risks and in conveying them in an understandable way.

The range of issues where the BRC need to make judgements is wide; many of them require thinking through the implications of forces about which there is little in recent economic history to make accurate assessment easy. Those issues include:

- The implications of short and long run demographic changes – the latter reflecting long running shifts in fertility and life expectancy; the former reflecting changing patterns in immigration and in labour force participation brought on by Covid and Brexit.
- The ways in which the changing impacts of Covid (and policy responses to it) will affect productive capacity and sectoral shifts in demand over the near and longer term.
- The path of labour supply in the face of changing work patterns and shifting incentives.
- The sustainability of exceptionally low real interest rates on government debt.
- The way in which central bank balance sheets may evolve and the implications of their shrinking for yields on government debt.
- The susceptibility of assets prices to sharp adjustments given stretched valuation on some metrics.
- The rapidly changing inflation outlook.
- The likely evolution of house prices and of tax revenues on housing.

Taking a leading role in the analysis of this set of issues would be a central part of my position on the BRC. That requires drawing on the expertise in the OBR and across government departments. For the OBR's own staff this will involve some guidance on economic analysis and help with shaping a research agenda. I consider it particularly important to help younger economists in the OBR. This is of greater significance when many of those who are quite new to the OBR may not have been physically in office much.

Finally, the independence of the BRC should be maintained. I do not think of this as a short-term priority but more as an ongoing responsibility.

8) How do you think the BRC should operate? By one member, one vote on issues where consensus may not be achieved, or with the Chairman charged by the legislation to take responsibility for decisions?

I doubt that formal votes by three members of the BRC is particularly useful. Nor do I think that giving the Chair responsibility for decisions ahead of the other members of the committee is helpful. Reaching decisions by consensus seems far more likely to be appropriate. If that proves difficult it would not be solved by voting or by some other means of allocating decision-making power.

While there will be differences of opinion, perhaps most obviously on the economic outlook, it should be possible for such differences to be reflected in BRC analysis which necessarily has to focus on risks rather than some definitive judgement on a single path the economy will take.

9) Do you intend to make yourself available for reappointment to the BRC at the end of your term?

Only if I stay healthy and feel that I have made a good contribution in the first term.

### **C. Other Professional Activities**

10) What other professional activities do you expect to continue/ undertake in addition to your position on the BRC and how do you intend reconciling these activities with your position as a member of the BRC?

The BRC position for which I am being considered is a half time one.

I plan to continue with some other roles which I believe are complimentary to the BRC position and helpful for remaining informed about economic developments which are relevant to its work.

I will maintain a position as Professor of Economics at Imperial College but with a much-reduced role in terms of teaching and administrative responsibilities. The academic position I have is of value in staying in touch with latest research on a wide range of economic issues. I would imagine my role as Professor will be between 1 and 1 1/2 days a week – though the overlap with my responsibilities on the BRC is likely to be significant.

I have two advisory (non-executive) positions that I hope to maintain: both have taken around 1 day a month. One is with the central Bank of Ireland where I am member of its Commission (analogous in some way to the role of the Court of the Bank of England). In this role I advise on a range of issues, many of which touch on the balance sheet of the Irish central Bank, the risks it faces and the way in which monetary policy affects the Irish economy. The way in which financial institutions in Ireland can best meet the needs of its people – and how the central bank can most effectively contribute to this - is a key issue for the Commission.

I have an advisory role with Profile Pensions, which offers pensions advice to those who have modest pension savings and for whom advice has been very hard to get (largely because their pension savings are too small to make it commercially viable for financial advisers). My role has been to help advise on how one can communicate with people who typically don't know very much about financial markets or about investing their pension savings. I have helped in the design of ways to help people understand pension options available and their risk characteristics and in the types of portfolios that, at low cost, allow diversification and help reduce risk.

I do not believe any of these positions create conflicts of interest. Given the time commitment of the roles – and their flexibility – I do not think they hinder my ability to play an effective role on the BRC which will, of course, be my primary focus.