



House of Commons
Treasury Committee

**Appointment of
Professor Sir Charles
Bean to the Budget
Responsibility
Committee of the
Office for Budget
Responsibility**

Seventh Report of Session 2016–17

*Report, together with formal minutes
relating to the report*

*Ordered by the House of Commons to be printed
8 September 2016*

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue and Customs and associated public bodies.

Current membership

[Mr Andrew Tyrie MP](#) (*Conservative, Chichester*) (*Chair*)

[Mr Steve Baker MP](#) (*Conservative, Wycombe*)

[Mark Garnier MP](#) (*Conservative, Wyre Forest*)

[Helen Goodman MP](#) (*Labour, Bishop Auckland*)

[Stephen Hammond MP](#) (*Conservative, Wimbledon*)

[George Kerevan MP](#) (*Scottish National Party, East Lothian*)

[John Mann MP](#) (*Labour, Bassetlaw*)

[Chris Philp MP](#) (*Conservative, Croydon South*)

[Mr Jacob Rees-Mogg MP](#) (*Conservative, North East Somerset*)

[Rachel Reeves MP](#) (*Labour, Leeds West*)

[Wes Streeting MP](#) (*Labour, Ilford North*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/treascom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are James Rhys (Committee Clerk), Gavin Thompson (Senior Economist), Marcus Wilton (Senior Economist), Dan Lee (Senior Economist), James Mirza Davies (Committee Specialist), Darren Hackett (Senior Committee Assistant), Elektra Garvie-Adams (Committee Support Assistant), Matt Panteli (Senior Media and Policy Officer), Toby Coaker (Committee Specialist on secondment from the NAO), David Hook (on secondment from HMRC), and George Barnes (on secondment from the Bank of England) and Victoria Sena (on secondment from the Bank of England).

Contacts

All correspondence should be addressed to the Clerk of the Treasury Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is treascom@parliament.uk.

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1 Introduction

1. The Office for Budget Responsibility (OBR) is established under the Budget Responsibility and National Audit Act 2011 to examine and report on the sustainability of the public finances. Its leadership consists of three members of the Budget Responsibility Committee (BRC), who are responsible for the OBR's core functions and the judgements reached in its macroeconomic and fiscal forecasts.
2. At the start of the last Parliament, the previous Treasury Committee successfully argued for a 'veto' to be included in the Act on the appointment and dismissal of BRC members, including its chair. Under the Act, the Committee must consent to any proposal from the Chancellor of the Exchequer to appoint or dismiss a BRC member. Members are appointed for a period of five years and can be reappointed on one occasion.¹
3. On 11 August 2016, the Chancellor of the Exchequer nominated Professor Sir Charles Bean as the new member of the BRC. If appointed, he will replace Professor Nickell, who is due to step down by the end of 2016.²
4. We took oral evidence from Professor Bean on 8 September 2016. This will be published shortly, together with his answers to our questionnaires and his curriculum vitae. We have considered his appointment in line with our previous practice, using personal independence and professional competence as the criteria against which we assess the suitability of the Chancellor's proposed candidate.

1 Budget Responsibility and National Audit Act 2011, Schedule 1, Paragraph 1

2 HM Treasury, [Sir Charles Bean nominated for appointment to the Office for Budget Responsibility](#) 11 August 2016

2 The appointment to the Budget Responsibility Committee of Professor Sir Charles Bean

Background on Professor Sir Charles Bean

5. Professor Sir Charles Bean is a Professor of Economics at the London School of Economics. He served as Deputy Governor at the Bank of England from July 2008 until June 2014. During this time, he had specific responsibility for Monetary Policy, including monetary analysis and market operations. He has also worked as a policy advisor at HM Treasury (1975-79 and 1981-82). He previously lectured in economics at LSE from 1982 until he was appointed Chief Economist at the Bank of England (2000-08).

Our evidence

6. In oral evidence, we questioned Professor Bean on his suitability to be a member of the Budget Responsibility Committee. Particular topics we questioned Professor Bean on included:

- Independence of the OBR
- Memorandum of Understanding with Government Departments
- Exceptional pre-release access to OBR reports for Government Departments
- Public understanding of the OBR's work, especially its forecasts
- OBR resources and staffing levels
- OBR pre-release access to Government statistics and administrative data
- Fiscal rules and their credibility
- Party policy costings by the OBR
- Impact of the Brexit referendum
- The role of the ONS
- The output gap and productivity growth
- The impact of monetary policy interventions on the real economy
- Distributional consequences of quantitative easing

Conclusions

7. **We are satisfied that Professor Sir Charles Bean has the professional competence and personal independence to be a member of the Budget Responsibility Committee. We wish him every success in his new role.**

8. We welcome the timing of Professor Bean’s nomination, which took place four and a half months before his proposed starting date. This in line with the recommendation we made in September 2015 that the nomination be made at least four and half months in advance of the appointment to allow adequate time for the Treasury Committee to arrange hearings, and consider any future candidature properly.³

³ Treasury Committee, First Report of Session 2015-16, Re-appointment of Robert Chote as Chair of the Office for Budget Responsibility, HC 459, para 7

Appendix 1: Professor Bean's appointment hearing questionnaire

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?**

Since I retired from the Bank of England in June 2014, I have occasionally been paid to give talks to, or offer advice to, financial institutions. Naturally, my intention is to cease such activities for the duration of my time on the BRC. All my other activities are presently in the academic sphere and do not appear to pose any conflict of interest.

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

No. I have recently carried out a review of UK economic statistics for the (former) Chancellor of the Exchequer and the Minister for the Cabinet Office, but that was entirely apolitical in content.

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

Yes (health permitting).

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

My career as an economist has been spilt roughly equally between academia and the public sector. I started my career as an economic forecaster at HM Treasury, before undertaking my graduate studies and moving into academia, spending 18 years at the London School of Economics. During this period, however, I kept close links with the policy world, not only through my academic research, much of which was policy related, but also through continuing links with the Treasury, including acting as a one day/week consultant through the 1990s.

In 2000, I moved back into the public sector full-time, when I joined the Bank of England as the Executive Director for Monetary Analysis and Statistics, moving on to become the Deputy Governor for Monetary Policy in 2008, and retiring in 2014. I served as a member of the Monetary Policy Committee throughout that time, and latterly also as a member of the Financial Policy Committee. As the Executive Director for Monetary Analysis and Statistics, I was responsible for ensuring that the MPC was properly briefed each month, and for oversight of the quarterly forecast round and the preparation of the associated Inflation Report. I obviously continued to be closely engaged with the forecast and the Inflation Report when I succeeded to the post of Deputy Governor.

I therefore have considerable experience in applied economic research, macroeconomic forecasting and actual policy making, all of which are relevant to the OBR's mission.

Good communication is also important and I have considerable experience presenting economic ideas and analysis to a broader audience – including numerous appearances before the Treasury Committee!

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

Many of my publications during my earlier academic incarnation relate to the causes of persistently high unemployment. However, in terms of the challenges currently facing the UK economy, my recent pieces on the fall in the underlying (global) real rate of interest are probably of more immediate relevance (“Living with Low for Long”, *Economic Journal*, May 2016; *Low for Long? Causes and Consequences of Persistently Low Interest Rates* (with Christian Broda, Takatoshi Ito and Randy Kroszner) October 2015). These causes include a higher propensity to save associated with a rise in the population share of the high-saving middle-aged; a weaker propensity to invest since the 2007-8 financial crisis; and portfolio shifts towards safer assets. The first of these forces is in the process of changing direction as the bulge of middle-aged pass through into retirement and begin dissaving, suggesting that we may see some gradual recovery in the underlying equilibrium real rate of interest. This has potentially important implications for the dynamics of debt stocks, including the public debt.

The other factor that is particularly important for the sustainability of the public finances is the evolution of potential output. As the Committee will be aware, productivity growth has been extremely weak over the past decade, not just in the United Kingdom but also in many other countries. This was a matter of considerable interest to the MPC while I was a member and I oversaw a considerable amount of research by Bank staff in order to understand it better. I cannot say that we yet have a clear understanding as to what is going on, and indeed it is a matter of considerable debate in academia, with some (e.g. Robert Gordon) suggesting that productivity growth is likely to be permanently lower, while others (e.g. Marty Feldstein) are of the view that mismeasurement is leading to a significant understating of real growth. Working on my review of UK economic statistics made me conclude that might indeed be something in the latter view, though I think it is unlikely to be able to account for the majority of the productivity shortfall since the financial crisis, which is likely to be connected to the long-lasting shadow of the crisis on investment in physical and human capital and its allocation.

B. Performance of the Role

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

As I understand it, my particular role will be to inject economic expertise into the judgements underlying the OBR’s forecast and sustainability analyses, much as Steve Nickell does at present. (I cannot claim to be an expert on the entrails of the public finances, which is more Graham Parker’s domain.) So a key question will be whether I have done this to the satisfaction of my future colleagues on the BRC, the OBR Board and the staff of the OBR.

In addition, as noted above, I believe good communication is important, so I would expect my record in that sphere to be taken into account, including testimony before the Treasury Committee.

Finally, as I will represent part of the senior management of OBR, so I should be held (partly) responsible for the general record of the OBR, the efficiency with which it operates and the reputation it carries with Parliament and the public.

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

I will be joining the BRC at a particularly challenging time. Not only is there the ongoing challenge of the medium- to long-term prospects for the equilibrium real rate of interest and the rate of productivity growth (discussed above), but the economic implications of the UK's withdrawal from the European Union are as yet unclear. This encompasses the implications for public spending and taxes, for trade and productivity, and for the size and composition of the UK population. I believe that some slowing in output growth is likely in the near term as heightened uncertainty leads some businesses to put investment projects on hold, but at this stage we have little in the way of concrete information so the quantitative extent of any such slowing is necessarily uncertain. And further out, prospects are even less clear because they depend in large part on the outcome of political negotiations and decisions here and elsewhere which are difficult to predict.

One recommendation of the Ramsden review was for the OBR to pay more attention to the analysis of fiscal risks. From my perspective, this is a most welcome development. Commentators place far too much weight on the central economic forecast and not nearly enough on the range of possible outcomes. For monetary policy, this may not matter too much, as in many cases it will suffice to set policy off some measure of central tendency. But the same approach may give misleading comfort in the case of fiscal policy, as there may be a subset of possible outcomes (e.g. a high rate of interest and a low rate of productivity growth) that would lead to highly unstable debt dynamics. I hope the OBR will be able to make significant advances in practice in this area.

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?

One member, one vote worked well on the nine-person Monetary Policy Committee, but I think it less well suited to a small committee such as BRC, where it should be possible to reach consensus most of the time. Moreover, in practice I think it is difficult for a Chairman to consistently go against the views of the other two members of the Committee.

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

At this stage I think it unlikely, as I will be nearly 70 and my wife nearly 80.

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?

My intention is to undertake the OBR position on a roughly half-time basis. I presently also have a one day/week appointment in the Department of Economics at the London School of Economics, for which I do a small amount of teaching (half the Monetary

Economics course) in the Lent Term. I also undertake a few light unpaid activities in the academic sector, such as acting as President of the National Institute for Economic and Social Research and Chair of the Trustees of the Centre for Economic Policy Research. These academic activities should be complementary to my role at the OBR and I intend to continue with them for now. I do not intend to take on any other significant roles.

Appendix 2: Professor Bean's curriculum vitae

Name: Charles Richard Bean
 Birth Date: 16 September 1953
 Nationality: British

Career

1965-71 Brentwood School, Brentwood, Essex.

1972-75 Emmanuel College, Cambridge University
 BA, 1975 (First in Economics and Mathematics; MT Dodds prize). MA, 1979.

1975-79 HM Treasury
 Economic Assistant, Short-Term Forecasting Division.

1979-81 Massachusetts Institute of Technology.
 PhD, 1981 (Essays in Unemployment & Economic Activity); Harkness Fellow.

1981-82 HM Treasury
 Economic Adviser, Monetary Policy Division.

1982-2000 London School of Economics
 Department of Economics: Lecturer (1982-86); Reader (1986-90); Professor (1990-2000); Chair of Department (1999-2000).
 Centre for Economic Performance: Deputy Director (1990-94).
 Academic Planning and Resources Committee (1995-98).

1990 Stanford University, Visiting Professor.

1999 Reserve Bank of Australia, Visiting Professor.

2000-14 Bank of England
 Executive Director for Monetary Analysis & Statistics (2000-08); Deputy Governor for Monetary Policy (2008-14).
 Monetary Policy Committee (2000-14, Vice-Chair, 2008-14); Financial Policy Committee (2011-14)
 G7 Deputies (2008-14; Co-Chair, 2013); G20 Deputies (2008-14; Co-Chair, 2009); OECD Working Party 3 (2002-14; Chair, 2010-12).

2014- London School of Economics
 Professor of Economics (part-time).

Honours

President, Royal Economic Society (2013-15)
 Knight Bachelor (Queen's Birthday Honours, 2014)

Journal Responsibilities

Assistant Editor, Economic Policy (1985-86).
 Editor, special issue of Economica on Unemployment (1986).
 Managing Editor, Review of Economic Studies (1986-90).
 Assistant Editor, Economic Journal (1996-2000)
 Editorial Boards:
Review of Economic Studies (1984-96, Chairman 1992-96) ; Moneda e Credito (1987-97);
Journal of Applied Econometrics (1991-2003); Economica (1996-); World Economics
 (1999-2000); International Journal of Central Banking (2004-2010, Chairman).

Other Academic Activities

Centre for Economic Policy Research: Research Fellow (1984-); Chairman, Trustees (2014).
 Association of University Teachers of Economics Conference Committee (1986-91).
Economic Policy Panel (1988-90 and 1996-98).
 ESRC Macroeconomic Modelling Consortium (1988-98).
 European Science Foundation: Chairman, Economic Growth Conference (1991).
 Royal Economic Society: Executive Committee (1993-98 and 2012-16); President (2013-15).
 National Institute for Economic and Social Research: Governor (1995-); Council of
 Management (1999-); President (2014-).
 Centre for the Microeconomic Analysis of Public Policy, IFS: Policy Committee (1995-).
 European Economic Association: Fellow; Council (1995-99).
 London School of Economics: Governor (2006-15).
 Brunel University, Economics and Finance Department Advisory Board (2015-).

Public Service

Adviser to HM Treasury Financial Analysis Research Group (1984-85).
 Centre for European Policy Studies Macroeconomic Policy Group (1987-90).
 Academic Panel, HM Treasury (1991-2000); Chair (1991-98).
 Consultant, Macroeconomic Policy and Prospects, HM Treasury (1992-2000).
 Adviser, Treasury Select Committee, House of Commons (1997-2000).
 Adviser, European Communities Committee, House of Lords - Enquiry into the European
 Central Bank (1998).
 Adviser, Economic and Monetary Affairs Committee, European Parliament (1998-2000).
 City of London Festival Board (2003-14).
 Independent Review of UK Economic Statistics for the Chancellor of the Exchequer and
 Minister for the Cabinet Office (2015-16).
 Chairman, Review of Bank for International Settlements research (2016).

Plenary Lectures

- (1) “Inflation Targeting: The UK Experience”, German Economic Association Annual Congress, Zurich 2003.
- (2) “The Great Moderation, the Great Panic and the Great Contraction”, Schumpeter Lecture at the European Economic Association Annual Congress, Barcelona 2009.
- (3) “Central Banking Then and Now”, Leslie Melville Lecture at the Australian Economic Association Annual Congress, Canberra 2011.
- (4) “Living with Low for Long”, Presidential Address at Royal Economic Society Annual Congress, Manchester 2015.

Published Academic Articles

- (1) “An Econometric Model of Manufacturing Investment in the UK”, Economic Journal, March 1981.
- (2) “A New Approach to the Empirical Investigation of Investment Expenditures: A Comment”, Economic Journal, March 1981.
- (3) “Targeting Nominal Income: An Appraisal”, Economic Journal, December 1983.
- (4) “Optimal Wage-Bargains”, Economica, May 1984. (Reprinted in Macroeconomics and Imperfect Competition, ed. Jean-Pascal Benassy, Edward Elgar, 1995.)
- (5) “A Little Bit More Evidence on the Natural Rate Hypothesis from the UK”, European Economic Review, August 1984.
- (6) “Crecimiento Economico y Desarrollo del Reino Unido: De la Post-Guerra al Casa de la Senora Thatcher” (Economic Growth and Development in the United Kingdom: from the Post-War Period to the Case of Mrs Thatcher), Desarrollo y Sociedad, September 1984.
- (7) “Macroeconomic Policy Co-ordination: Theory and Evidence”, Recherches Economiques de Louvain, December 1985.
- (8) “The Terms of Trade, Labour Supply and the Current Account”, Economic Journal (Supplement), March 1986.
- (9) “The Estimation of ‘Surprise’ Models and the ‘Surprise’ Consumption Function”, Review of Economic Studies, August 1986.
- (10) “The Rise in Unemployment: A Multi-Country Study” (with Richard Layard and Steve Nickell), Economica (Supplement), August 1986.
- (11) “Salaires, Demande et Chomage: Une Perspective Internationale” (Wages, Demand and Unemployment: An International Perspective), Revue Economique, May 1987.

- (12) “The Impact of North Sea Oil”, in Britain’s Economic Performance, eds. Rudiger Dornbusch and Richard Layard, Oxford University Press, August 1987.
- (13) “Sterling Misalignment and British Trade Performance”, in Misalignment of Exchange Rates; Effects on Trade and Industry ed. Richard Marston, University of Chicago Press, August 1988.
- (14) “Real Wage Rigidity and the Effect of an Oil Discovery”, Oxford Economic Papers, December 1988.
- (15) “Employment in the Coal Industry: A Test of the Labour Demand Model” (with Peter Turnbull), Economic Journal, December 1988.
- (16) “Capacity Constraints and Persistent Unemployment”, Economic Policy, April 1989.
- (17) “Why Does Unemployment Persist?” (with Richard Layard), Scandinavian Journal of Economics, June 1989.
- (18) “Ten Years of Mrs T.” (with Jim Symons), NBER Macroeconomics Annual, 1989.
- (19) “Endogenous Growth and the Procyclical Behaviour of Productivity”, European Economic Review (Supplement), May 1990.
- (20) “European Unemployment: Lessons from a Multi-country Econometric Study” (with Jacques Dreze), Scandinavian Journal of Economics, June 1990.
- (21) “Outsiders, Capacity Shortages and Unemployment in the United Kingdom” (with Andrea Gavosto), in Europe’s Unemployment Problem, eds. Jacques Dreze and Charles Bean, MIT Press, 1991.
- (22) “Skill Shortages and Structural Unemployment in Britain: A (Mis)Matching Approach” (with Christopher Pissarides), in Mismatch and Labour Mobility, ed. Fiorella Padoa-Schioppa, Cambridge, 1991.
- (23) “The External Constraint in the UK”, in External Constraints on Macroeconomic Policy in Europe, eds. George Alogoskoufis, Lucas Papademos and Richard Portes, Cambridge University Press, 1991.
- (24) “L’UEM: Avantages au Plan Interne et Consequences Internationales” (“European Monetary Union: Domestic Benefits and International Implications”) in Vers l’Union Economique et Monetaire Europeene (Towards European Economic and Monetary Union), Ministry of Finance and Budget, Paris, 1991.
- (25) “Economic and Monetary Union in Europe”, Journal of Economic Perspectives, Fall 1992.
- (26) “Unemployment, Consumption and Growth”, European Economic Review, May 1993.
- (27) “Government Policy and Economic Growth”, in Advanced Lectures in Quantitative Economics II, ed. Aart de Zeeuw, Academic Press, 1993.

- (28) “The Case for an Independent Central Bank”, New Economy, Autumn 1993.
- (29) “European Unemployment: A Retrospective”, European Economic Review (Supplement), May 1994.
- (30) “European Unemployment: A Survey”, Journal of Economic Literature, June 1994.
- (31) “The Role of Demand Management Policies in Reducing Unemployment”, in Reducing Unemployment: Current Issues and Policy Options, Federal Reserve Bank of Kansas City, 1995.
- (32) “British Economic Growth Since 1945: Relative Economic Decline...and Renaissance?” (with Nick Crafts), in Economic Growth in Post-1945 Europe, eds. Nick Crafts and Gianni Toniolo, Cambridge University Press, 1995.
- (33) “The New UK Monetary Arrangements: A View from the Literature”, Economic Journal, November, 1998.
- (34) “The Interaction of Aggregate Demand Policies and Labour Market Reform”, Swedish Economic Policy Review, November, 1998.
- (35) “Monetary Policy under EMU”, Oxford Review of Economic Policy, November, 1998.
- (36) “Australasian Monetary Policy: A Comparative Perspective”, Australian Economic Review, Spring 1999.
- (37) “The Single Monetary Policy: One Size Fits All?”, in EMU: Realignment In and Out of the Eurozone, Royal Institute for International Affairs, London, October 1999.
- (38) “The Australian Economic ‘Miracle’: A View from the North” in The Australian Economy in the 1990s, Reserve Bank of Australia, Sydney, 2000.
- (39) “Financial Frictions and the Monetary Transmission Mechanism: Theory, Evidence and Policy Implications”, in Monetary Policy Transmission in the Euro Area, eds. Ignazio Angeloni, Anil Kashyap, Benoit Mojon, Cambridge, 2003.
- (40) “Asset Prices, Financial Imbalances and Monetary Policy: Are Inflation Targets Enough?” in Asset Prices and Monetary Policy, eds. Anthony Richards and Tim Robinson, Reserve Bank of Australia, Sydney, 2003.
- (41) “Asset Prices, Financial Instability and Monetary Policy”, American Economic Review, May 2004.
- (42) “Inflation Targeting: The UK Experience”, Perspektiven der Wirtschaftspolitik, 2004 5(4).
- (43) “Monetary Policy in an Uncertain World”, World Economics, Jan-March 2005.
- (44) “Globalisation and Inflation”, World Economics, Jan-March 2007.

- (45) “‘The Meaning of Internal Balance’ Thirty Years On”, Economic Journal, November 2009.
- (46) “The Great Moderation, the Great Panic and the Great Contraction”, Journal of the European Economic Association, April-May 2010 (Schumpeter Lecture at the 2009 EEA Annual Congress).
- (47) “Monetary Policy After The Fall” (with Mathias Paustian, Adrian Penalver and Timothy Taylor), in Macroeconomic Challenges: The Decade Ahead, Federal Reserve Bank of Kansas City, 2011.
- (48) “Discussion of ‘Applying an Inflation Targeting Lens to Macroprudential Policy Institutions’”, International Journal of Central Banking, 2015.
- (49) “Living with Low for Long”, Economic Journal, May 2016 (Presidential Lecture at the 2015 RES Annual Conference).

Books and Reports

- (1) The Rise in Unemployment (edited with Richard Layard and Steve Nickell), Basil Blackwell, April 1987.
- (2) The Plain Man’s Guide to Fiscal and Financial Policy (with Willem Buiter), The Employment Institute, June 1987. (Reprinted in Conquering Unemployment, ed. Jon Shields.)
- (3) The Two-Handed Growth Strategy for Europe: External Autonomy Through Flexible Co-ordination (with Jacques Dreze, Charles Wyplosz, Francesco Giavazzi and Herbert Giersch), Centre for European Policy Studies, June 1987. (Reprinted in Recherches Economiques de Louvain, January 1988.)
- (4) Europe After the Crash: Economic Policy in an Era of Adjustment, Centre for European Policy Studies, September 1988.
- (5) Macroeconomics for 1992: The Transition and After (with Edmond Malinvaud, Peter Bernholz, Francesco Giavazzi, and Charles Wyplosz), Centre for European Policy Studies, January 1990.
- (6) European Labour Markets: A Long-Run View (with P. Bernholz, J-P. Danthine and E. Malinvaud), Centre for European Policy Studies, April 1990.
- (7) Europe’s Unemployment Problem (edited with Jacques Dreze), MIT Press, 1990.
- (8) El Paro en España: ¿Tiene Solución? (Unemployment in Spain: Is there a Solution?) (with Olivier Blanchard and others), Consejo Superior de Camaras de Comercio, Industria y Navegacion de España, December 1994.
- (9) Unemployment: Choices for Europe (with George Alogoskoufis, Giuseppe Bertola, Daniel Cohen, Juan Dolado, and Gilles Saint-Paul), Centre for Economic Policy Research, April 1995.
- (10) The Ostrich and the EMU: Policy Choices Facing the UK (with Rupert Pennant-Rea and others), Centre for Economic Policy Research, May 1997.

- (11) Social Europe: One for All? (with Samuel Bentolila, Giuseppe Bertola and Juan Dolado), Centre for Economic Policy Research, July 1998.
- (12) Low for Long? Causes and Consequences of Persistently Low Interest Rates, (with Christian Broda, Takatoshi Ito and Randy Kroszner), Geneva Report 17, Centre for Economic Policy Research, October 2015 (available at http://cepr.org/active/publications/books_reports/viewreport.php?cvno=P266).
- (13) Independent Review of UK Economic Statistics, HM Government (available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507081/2904936_Bean_Review_Web_Accessible.pdf).

Other Policy Publications

- (1) “The Formulation of Monetary Policy at the Bank of England” (with Nigel Jenkinson), Bank of England Quarterly Bulletin, Winter 2001.
- (2) “The MPC and the UK Economy: Should We Fear the D-Words?”, Bank of England Quarterly Bulletin, Winter 2002.
- (3) “Economists and the Real World”, Bank of England Quarterly Bulletin, Spring 2003.
- (4) “Inflation Targeting: The UK Experience”, Bank of England Quarterly Bulletin, Winter 2003.
- (5) “Monetary Policy in an Uncertain World”, Bank of England Quarterly Bulletin, Spring 2005.
- (6) “Globalisation and Inflation”, Bank of England Quarterly Bulletin, Winter 2006.

Appendix 3: Office for Budget Responsibility Candidate Brief

Appointment of Budget Responsibility Committee Member of Office for Budget Responsibility

The information provided in this document is for background information only. As such it does not constitute the terms, whether express or implied, of any future contract of employment.

The Office for Budget Responsibility

The OBR was created in 2010 to enhance the accountability of the Government, by shining a light on the position of the public finances and the long-term impact of Government decisions. The independent OBR has executive responsibility for producing the official UK economic and fiscal forecasts and assessing progress against the fiscal mandate. The OBR is a small organisation with disproportionate influence, employing 21 members of staff and with a budget of around £2.5 million per annum.

Work of the Office

The main legislative duty of the OBR is to examine and report on the sustainability of the public finances. Policy-making is the responsibility of government ministers and the OBR is legislatively prevented from providing normative commentary on the merits of government policy. However the Office's objective and impartial analysis is key in informing the policy decisions made by ministers and the wider understanding of the UK's public finances.

Within its broader remit the OBR is specifically required to produce:

- **Fiscal and Economic Forecasts**

Fiscal and economic forecasts are published concurrently with each Budget or Autumn Statement in the OBR's Economic and fiscal outlook. The forecasts represent the BRC's collective view of the UK's economic and fiscal future, based on analysis produced by OBR staff and drawing on the work and expertise of officials across government. The government has chosen to adopt the OBR's forecasts as the UK's official forecasts used for the formation of government policy.

The OBR is also required to produce an assessment of how likely it is that the government's fiscal mandate will be achieved – this is included in every EFO. This function of the OBR is key to improving the transparency of the government's fiscal policy framework.

- **Forecast Evaluation Reports**

Forecast evaluation reports (FER) are published by the OBR each autumn to examine how past forecasts compared to subsequent outturn data. The FER provides an opportunity to consider the reasons forecast 'errors' occurred.

Economic forecasts are inevitably uncertain, however investigating the causes of ‘errors’ allows the OBR to identify lessons for future forecasts and the BRC to transparently explain the reasoning behind its judgements.

- **Fiscal Sustainability Reports**

Fiscal sustainability is assessed using a combination of balance sheet analysis and long term projections of spending, revenue and financial transactions - this is published in an annual Fiscal sustainability report. The recent Ramsden review of the OBR recommended that the OBR conduct greater in-depth analysis of specific fiscal sustainability issues. In response to the review’s recommendations the Office will begin producing long term projections of the public finances biennially and focussing on investigations into specific fiscal sustainability issues in the interim years.

- **Fiscal Risks Statements**

The amendments made in autumn 2015 to the Charter for Budget Responsibility included a requirement that the OBR produce a fiscal risks statement (FRS) at least once every 2 years. The statement will set out the BRC’s views of the main risks to the public finances, including macroeconomic risks and specific fiscal risks facing the UK. The government will formally respond to the FRS.

- **Welfare Trends Reports**

Welfare trends reports (WTR) are also an addition to the original publications of the OBR. The first WTR was published in 2014 in response to the Chancellor’s request. Their annual publication is now formally required by the updated Charter. The WTR assesses the government’s performance against the welfare cap and produces analysis on both long and shorter term trends in spending on social security benefits and tax credits.

The OBR has broad discretion in how it fulfils its remit and additionally produces a wide range of working and discussion papers on topics relating to sound and sustainable public finances.

Producing Forecasts

The OBR’s forecasts are essential inputs to the government’s ongoing policy making. The establishment of the OBR enhanced the transparency and credibility of the government’s official economic and public finance forecasts in two ways – by tasking the production of forecasts to an independent and objective organisation, and subsequently publishing more information than has ever been made public previously.

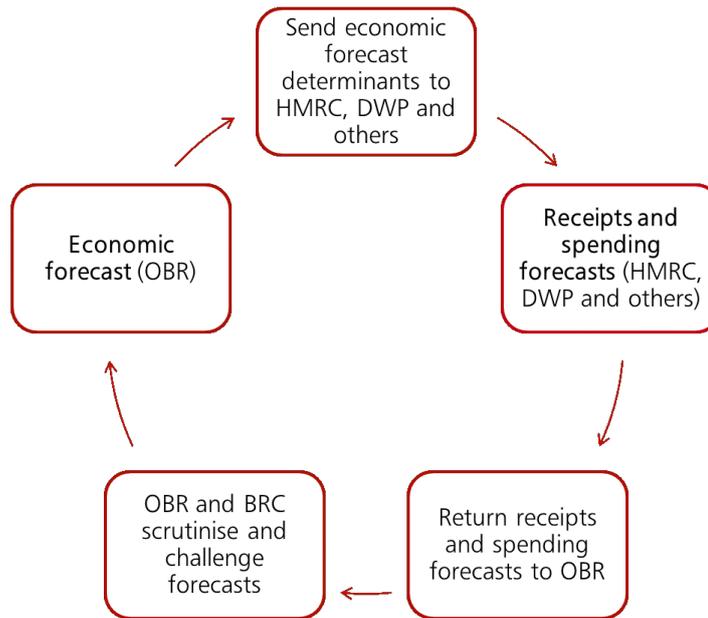
The OBR is responsible for the production of the economic and fiscal forecasts – to date these forecasts have been adopted by the Chancellor as the UK’s official forecasts.

The forecasting process starts with the production of an initial economic forecast by OBR staff. This forecast takes into account information that has emerged since the last published forecast and reflects BRC judgements and assumptions. The OBR consults widely with external forecasters and analysts to ensure they are aware of as much relevant data and

evidence as possible. This initial view on the shape of the economic forecast is used to produce the key fiscal determinants, allowing production of the public finance forecast to begin.

The public finance forecast is highly disaggregated, and the production of the majority of individual tax and spending lines is undertaken by a wide range of expert analysts working across government. The OBR scrutinises and challenges the assumptions and modelling for all of the individual elements of the forecast and makes adjustments where necessary. The BRC takes ultimate responsibility for the entire forecast and all of the underlying assumptions. These forecasts are brought together by the OBR, resulting in a detailed bottom-up forecast of the public finances consistent with the economic forecast.

This is the start of an iterative process that continues over several rounds - with subsequent economy forecasts incorporating the output from the previous public finance forecast and vice versa. The economy and public finance forecasts are interdependent so these iterations ensure that the effects of changes to one element of the forecast are fully reflected in the forecast as a whole. The OBR also assesses the potential economic impact of any new policy measures that the Chancellor plans to announce alongside their forecast. The BRC judge whether these measures are likely to have a non-negligible impact on the economic outlook and, if so, how to adjust the forecast accordingly.



Governance

The OBR's organisational structure can be split into 4 key components, shown below:



Budget Responsibility Committee

The Budget Responsibility Committee provides the executive leadership for the OBR as it carries out its core functions. This includes providing strategic leadership by determining how the OBR can fulfil its remit of examining and reporting on the sustainability of the public finances. In practical terms the BRC's role includes, but is not limited to, scrutinising forecast returns from government departments and making forecast judgments to produce economic and fiscal forecasts, determining the sustainability issues to be analysed by the OBR and providing long term insight into fiscal risks and welfare trends.

The BRC is made up of three members, one of whom is the Committee's Chair. Appointments to the BRC are made by the Chancellor of the Exchequer with the agreement of the Treasury Committee. The Chancellor of the Exchequer is required to consult the Chair of the BRC for appointments to the two other positions on the BRC. BRC members are generally appointed for 5 year terms and are eligible to be reappointed once at the end of that term.

Oversight Board

The OBR's Oversight Board are accountable for ensuring the operations of the OBR conform to its legislative mandate. This includes monitoring the relationship between the OBR and government departments to ensure independence, and provide assurance on risk management, governance and internal control. The Oversight Board is comprised of the three members of the BRC and the two non-executive members, currently Lord Burns GCB and Dame Kate Barker CBE. The non-executive members contribute to the assessment of whether BRC members are suitable for reappointment and keep under review the extent to which the OBR is delivering against its duties under the Budget responsibility and National Audit Act and associated guidance.

Advisory Panel

The BRC are supported by an Advisory Panel of economic and fiscal experts. The panel meets annually to advise the OBR on its work programme and analytical methods. Panel members also provide OBR staff and the BRC with ad hoc advice on specific issues when requested.

OBR Staff

The OBR currently has 21 members of staff and analysts. Staff members work within teams covering economic analysis, fiscal analysis, analysis of welfare spending, policy costing and devolution, long-term sustainability analysis and strategy, operations and communications. The OBR staff and analysts are led by a Head of Staff.

The Ramsden Review

In summer 2015 the Chancellor asked Sir Dave Ramsden to conduct a review of the OBR⁴, to support and strengthen the Office and put it on a more sustainable footing for the next 5 years. The review concluded that the OBR has made substantive progress in improving the credibility of the UK's fiscal framework but that the organisation would face new challenges over the coming Parliament, including changes to membership of the BRC, turnover of long standing staff and fiscal devolution. Sir Dave made a number of recommendations to enhance the role of the OBR – ensuring that the OBR is a well-established institution operating with increased resilience and capacity, and seen as truly independent of the government that established it. Work is ongoing to implement the recommendations of the review - increasing security of the OBR's budget, working to maintain capability at all levels and broadening the relevance of the Office to both Parliament and the public – making this an exciting time to join the Office's executive leadership.

Candidate Profile and appointment criteria

This is a high profile and important role. Under legislation, the Chancellor of the Exchequer shall appoint a member to the BRC only if that person has knowledge or experience which is likely to be relevant to the Committee's functions.

The Ramsden review of the OBR concluded that personnel have been the driving force behind the Office's successes and that the BRC in particular have played an important role in establishing and building credibility. As such the Chancellor is committed to ensuring that the reputation and quality of the BRC's membership is maintained.

The requirements for this role are as follows:

- **Strong and proven economics knowledge and skills** – candidates must have the technical expertise and experience necessary to construct economic and fiscal forecasts, including making forecast judgements, and lead analysis of fiscal sustainability issues. Candidates must demonstrate that they have used their economic expertise operating at a very senior level in business, financial markets, a policymaking environment or academia - as a leader in their chosen profession or field of economics.

4 <https://www.gov.uk/government/publications/hm-treasury-review-of-the-office-for-budget-responsibility>

- **Analytical ability** – candidates will need to be able to absorb large volumes of complex information and reach reasoned and robust conclusions quickly.
- **Independence of thought and interpersonal skills** – candidates must be independently minded and be able to exert their influence within the BRC and when representing the OBR to government, Parliament and the public. Candidates must be able to form their own views and decisions, whilst working closely and constructively with other members of the Committee.
- **Undisputed integrity and standing** – candidates must have the ability to maintain discretion and engender trust in staff, peers and stakeholders. The OBR must perform its duties objectively, transparently and impartially and BRC members are expected to lead the Office in a way reflective of this.

Terms of Appointment

Members of the BRC are appointed by the Chancellor of the Exchequer with the consent of the Treasury Committee. Appointments to the BRC are for a five-year term. There is the possibility of reappointment at the end of the term and members can serve a maximum of two terms.

The appointment is expected to commence between September and December 2016, with some flexibility on start date.

Members of the BRC are appointed as office holders at the OBR and it is HM Treasury that sets the terms of the appointment. The contract is a temporary non-pensionable contract for the fixed term. This post can be undertaken on either a part or full-time basis. BRC members are required to request the consent of the Chancellor prior to taking any appointment, employment, or other duties that might lead to a conflict with BRC responsibilities.

The full-time remuneration for the role would be £121,330 and can be reduced proportionately if the successful candidate wishes to serve on a part-time basis, for example to £72,798 for a 3 day working week. The stated remuneration includes compensation in lieu of pension and is up-rated annually in line with CPI.

BRC members are not required to hold UK nationality, but to fulfil their duties are expected to be resident in the UK.

Most functions of the Budget Responsibility Committee are carried out in the Office's Victoria Street accommodation in London. The Office is expected to move to a new building within the new BRC member's term of office, however the OBR is expected to remain in close proximity to the current building.

How to apply and appointment process

How to Apply

Applications should be submitted to this email address:

BRCAppointments@hmtreasury.gsi.gov.uk

You need to provide the following information:

- A full CV (including education and professional qualifications, career history, and relevant achievements and responsibilities).
 - The names and contact details of two referees should be included in the CV. Referees should know you in a capacity to comment on your suitability for the appointment and have authoritative and personal knowledge of your achievements. References will only be taken up for short listed candidates, but will be sought prior to the interview.
- A covering letter of no more than 3 sides of A4 explaining how you meet the appointment criteria as detailed in the candidate profile and summarising the evidence from your career which best demonstrates your qualifications for the appointment. If you believe you may have a potential conflict of interest please do flag this in the cover letter, it may be explored at interview.
- Daytime and evening telephone contact numbers and e-mail addresses, which will be used with discretion.
- A completed application and monitoring form regarding contact details, diversity and political activity. This information is required for monitoring purposes only and will not be seen by any selection panel.

The application and monitoring form for this appointment can be found under this listing on the Cabinet Office jobs board: <http://publicappointments.cabinetoffice.gov.uk>

Your application will be acknowledged shortly after receipt and you will be informed by email or by telephone of the progress of your application.

Applications must arrive no later than the end of **Friday 15th April 2016**.

If you have any queries concerning your application, or technical queries on completing the application, please email BRCAppointments@hmtreasury.gsi.gov.uk

Appointment Process

Once the closing date for applications has passed, applications will be sifted according to the candidate profile. Those applicants who have not been successful will be notified at this stage and a short list of the most closely qualified applicants will be invited to final panel interviews, which will be held in London. The successful candidate must attend a pre-appointment hearing with the Treasury Committee, who have a veto on BRC appointments.

The closing date for applications is Friday 15th April. Interviews are expected to take place on or around 11th May 2016. The successful candidate is expected to be announced in the summer and the appointment will commence between September and December 2016, subject to the requirements of both the successful candidate and the OBR.

Expenses

If you are invited for interview, reasonable and necessary travel expenses (standard class) will be reimbursed. Those invited to interview will be advised on how to claim their expenses.

Equality of Opportunity

The OBR is committed to ensuring it has a truly diverse workforce. All disabled applicants will be guaranteed an interview by HM Treasury, provided they meet the minimum criteria for the post, and state their eligibility in their covering letter.

If you feel you have reason for complaint about the appointment process or the manner in which your application was handled, please contact Human Resources, HM Treasury, Rosebery Court, Norwich, NR7 OHS.

Also contactable at hrrecruitment@hmtreasury.gsi.gov.uk.

The 7 principles of public life⁵

The 7 principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally.⁶ The principles also apply to all those in other sectors that deliver public services. They were first set out by Lord Nolan in 1995 and they are included in the Ministerial code.

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

5 <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

6 The Civil Service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Formal Minutes

Thursday 8 September 2016

The Rt Hon Andrew Tyrie MP, in the Chair

Members present:

Mr Steve Baker

George Kerevan

Draft Report (*Appointment of Professor Sir Charles Bean to the Budget Responsibility Committee of the Office for Budget Responsibility*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 8 read and agreed to.

Appendices agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 11 October at 9.45 am]

Witness

The following witness gave evidence. The transcript can be viewed on the [inquiry publications page](#) of the Committee's website.

Thursday 8 September 2016

Question number

Professor Sir Charles Bean, Budget Responsibility Committee, Office for Budget Responsibility

[Q1-46](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Reappointment of Robert Chote as Chair of the Office for Budget Responsibility	HC 459
Second Report	The appointment of Dr Gertjan Vlieghe to the Monetary Policy Committee of the Bank of England	HC 497
Third Report	The re-appointment of Ian McCafferty to the Monetary Policy Committee of the Bank of England	HC 498
Fourth Report	Appointment of Tim Parkes as Chair of the Regulatory Decisions Committee	HC 735
Fifth Report	Appointment of Angela Knight as Chair of the Office of Tax Simplification	HC 734
Sixth Report	Spending Review and Autumn Statement 2015	HC 638
Seventh Report	Reviewing the Office for Budget Responsibility	HC 514
Eight Report	The Treasury Committee's scrutiny of appointments	HC 811
Ninth Report	Re-appointment hearing of Dame Clara Furse and Richard Sharp	HC 895

Session 2016–17

First Report	The economic and financial costs and benefits of the UK's EU membership	HC 122
Second Report	Appointment of Jon Thompson as Chief Executive of HMRC	HC 232
Third Report	Appointment of Edward Troup as Executive Chair of HMRC	HC 498
Fourth Report	Review of the reports into the failure of HBOS	HC 582
Fifth Report	Appointment of Sam Woods as Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority	HC 567
Sixth Report	Appointment of Andrew Bailey as Chief Executive Officer of the Financial Conduct Authority	HC 568