Finance Committee

Remit and membership

Remit:

1. The remit of the Finance Committee is to consider and report on-

   (a) any report or other document laid before the Parliament by members of
       the Scottish Government containing proposals for, or budgets of, public
       expenditure or proposals for the making of a tax-varying resolution, taking
       into account any report or recommendations concerning such documents
       made to them by any other committee with power to consider such
       documents or any part of them;

   (b) any report made by a committee setting out proposals concerning public
       expenditure;

   (c) Budget Bills; and

   (d) any other matter relating to or affecting the expenditure of the Scottish
       Administration or other expenditure payable out of the Scottish
       Consolidated Fund.

2. The Committee may also consider and, where it sees fit, report to the
   Parliament on the timetable for the Stages of Budget Bills and on the handling of
   financial business.

3. In these Rules, "public expenditure" means expenditure of the Scottish
   Administration, other expenditure payable out of the Scottish Consolidated Fund
   and any other expenditure met out of taxes, charges and other public revenue.

   (Standing Orders of the Scottish Parliament, Rule 6.6)

Membership:

Gavin Brown
Malcolm Chisholm
Kenneth Gibson (Convener)
Jamie Hepburn
John Mason (Deputy Convener)
Michael McMahon
Jean Urquhart

Committee Clerking Team:

Clerk to the Committee
Jim Johnston

Senior Assistant Clerk
Catherine Fergusson

Assistant Clerk
Alan Hunter

Committee Assistant
Tom Williams
The Committee reports to the Parliament as follows—

Scottish Fiscal Commission

1. The creation of an independent fiscal body for Scotland was first raised with the Finance Committee (“the Committee”) by the Cabinet Secretary for Finance, Employment and Sustainable Growth (“the Cabinet Secretary”) in May 2013.

2. In order to inform the development of such an independent fiscal body, the Committee conducted an inquiry during November and December 2013. The Committee’s report on this inquiry was published in January 2014 and set out a number of recommendations on the role, establishment and operation of a proposed Scottish Fiscal Commission (“the Commission”).

Pre-appointment hearings and the role of the Parliament

3. In its report, the Committee concluded that the Commission should adhere to the 22 principles for independent fiscal bodies that have been identified by the OECD. In reaching this conclusion, the Committee placed particular emphasis on the importance of independence, non-partisanship and transparency and recommended that—

- appointments to the Commission should be made by Scottish Ministers, “subject to the consent of the Parliament on the recommendation of the Finance Committee.”; and

- the Finance Committee should have the option of holding a pre-appointment hearing after which a report would be made to the Parliament.

4. These recommendations were accepted by the Scottish Government. Given that the first appointments being made to the Commission precede the introduction of legislation that will establish the Commission on a statutory basis, appointments are being made on what the Government has described as a “by analogy” process that reflects the Committee’s recommendations.
Candidates nominated for appointment

5. The Cabinet Secretary has indicated that the Commission will comprise three part-time members, each appointed for a single term and with appointments to be staggered to ensure some continuity within the Commission. The Cabinet Secretary’s nominees are: Lady Susan Rice (Chair), Professor Andrew Hughes Hallett and Professor Campbell Leith.

6. In advance of appearing before the Committee, each of the nominees was asked to complete a short written questionnaire and to submit this to the Committee, along with a copy of their CV. The information submitted is included as Annexe A to this report.

Biographies

7. Lady Susan Rice CBE has been nominated as chair of the Scottish Fiscal Commission. Lady Rice is currently Managing Director of Lloyds Banking Group and has previously held roles at Bank of Scotland and NatWest Bancorp. Lady Rice is a non-executive director of Scottish and Southern Energy, a member of the Court of the Bank of England, a member of the board of J Sainsbury’s and is about to join the Court of Edinburgh University. In 2011 Lady Rice joined the First Minister’s Council of Economic Advisers.

8. Professor Campbell Leith is currently Professor of Macroeconomics at the University of Glasgow, where the Commission will be hosted. Professor Leith’s principle research area is in the field of New Keynesian Economics and he specialises in the theoretical and empirical analyses of monetary and fiscal policy and their interactions. Professor Leith’s proposal for the introduction of a Fiscal Council has been cited as providing a rationale for the establishment of the Office for Budget Responsibility in 2010.

9. Professor Andrew Hughes Hallett has been Professor of Economics and Public Policy at George Mason University since 2006 and Professor of Economics at St Andrews University since 2007. A member of the First Minister’s Council of Economic Advisers since 2007, Professor Hughes Hallett has also been a member of the Scottish Government’s Fiscal Commission Working Group since 2012. Professor Hughes Hallett specialises in international economic policy and has acted as a consultant to organisations including the World Bank, the International Monetary Fund, the European Commission and the Organisation for Economic Co-operation and Development.

Role and remit

10. In its report, the Committee recommended that “if the remit is to provide a commentary on Scottish Government forecasts, it is essential that to ensure its independence, the SFC should have no role in producing the forecasts”. Responding to this recommendation, the Cabinet Secretary stated that “the SFC should have no role in producing the original forecasts” (emphasis added).

11. Professor Leith states in response to the Committee’s questionnaire that his personal view is that the Scottish Government should “present the Fiscal
Commission with both their provisional forecast and as much detail of the underlying forecast process as possible” (emphasis added). He also stated in evidence to the Committee that “the commentary that is attached to the forecast at the time of the draft budget will include analysis that comes from on-going scrutiny of the whole forecasting process, not just the forecast itself.”

12. The Cabinet Secretary has indicated that he intends to set out a remit for the SFC on a non-statutory basis for an interim period and on a statutory basis in due course. He intends to discuss the remit with the members of the SFC once they have been appointed and to then discuss and agree the remit with the Committee.

13. The Committee emphasises its key recommendation in its report on the proposals for the Commission that it is essential that the SFC is independent and seen to be so. In particular, there is a need for transparency in the relations between the Commission and the Scottish Government and Revenue Scotland.

14. The Committee recommends that any provisional forecast is published alongside the final forecast with an explanation provided for any differences.

Memorandum of Understanding (MoU)

15. The Committee recommended that “any contact between the SFC and the Scottish Government and Revenue Scotland should be based on a transparent framework of co-operation” and that the “basis of the working relationship should be set out in a MoU.” The Scottish Government indicated in its response that it agrees with this recommendation and will discuss a draft of the MoU with the Committee.

16. The Committee also recommended that the MoU “should include the procedure and timings for the SFC to submit its views to the Scottish Government on its provisional forecasts (prior to publication) and the procedure and timings for dealing with any differences of opinion. It is expected that such views will be made publicly available.” The Scottish Government agrees with this recommendation.

Resources and staffing

17. The Committee recommended that, in line with OECD principles, the Commission should have funding allocated on a multi-year basis, with a level 3 budget heading, and the ability to appoint its own staff. The Government has agreed with these recommendations in respect of the establishment of the Commission on a statutory basis.

18. In relation to the interim period before this statutory establishment the Government intends to make available a budget of £20,000 annually to cover resource costs “which might be provided for example from a University economics department in reviewing forecasts associated with the two taxes devolved under present arrangements.”

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19. In relation to the need for analytical capacity, the Government stated that the “need for analytical capacity will be discussed and agreed with members of the SFC once identified”. In doing so, the Government noted that it considers that the “capacity required to scrutinise receipts forecasts should be proportionate to the fact that under present arrangements 2 taxes supporting about 1.5% of the Scottish Government’s budget are devolved”.

20. The Government’s press release stated that to “ensure independence from the Scottish Government, the Commission will not draw on Scottish Government officials for analysis and other outputs. In practice, expert resources to undertake this work are likely to come from the academic community.” The Commission is to be hosted by the University of Glasgow.

21. In response to questioning from the Committee on whether the proposed budget is sufficient Lady Rice stated that “I think we should begin with the proposed £20,000 budget.” Professor Leith suggested that as the Commission is being located in Glasgow University this “might help the £20,000 go a bit further than it would if we were just commissioning research from outside organisations.”

Potential or Perceived Conflict of Interest

22. Some Members expressed concern about potential conflicts of interest, or perceived conflicts of interest, regarding Lady Rice’s and Professor Hughes Hallett’s membership of the Council of Economic Advisers. The Committee wrote to the Cabinet Secretary on 4 June 2014 seeking clarification as to whether he agreed that such a conflict exists or that one could be perceived. The Cabinet Secretary responded on 6 June 2014 stating that he is “satisfied that no conflicts exist and that were any to arise there are or would be satisfactory arrangements for dealing with them.” Copies of both letters are attached as Annexe B to this report.

23. The Committee subsequently took evidence from the Cabinet Secretary at its meeting on 18 June 2014. In response to questioning from the Committee, the Cabinet Secretary confirmed that he was satisfied that no potential or perceived conflict of interest existed in relation to Lady Rice’s and Professor Hughes Hallett’s membership of the Council of Economic Advisers.

Conclusion

24. The Committee recommends that the Parliament approves the appointment of Professor Campbell Leith as a member of the Scottish Fiscal Commission. The Committee recommends that the Parliament approves the

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4 Letter from Convener to Cabinet Secretary for Finance, Employment and Sustainable Growth dated 4 June 2014 (see Annexe B)
5 Letter from Cabinet Secretary for Finance, Employment and Sustainable Growth to Convener dated 6 June 2014 (see Annexe B)
appointment of Lady Susan Rice as chair of the Commission and Professor Andrew Hughes Hallett as a member of the Commission.⁶

⁶ Gavin Brown proposed that the Committee recommend approval of Susan Rice and Andrew Hughes Hallett subject to their resigning as members of the Council of Economic Advisers. This was disagreed by division: For, 3 (Gavin Brown, Malcolm Chisholm, Michael McMahon); Against 4 (Kenneth Gibson, Jamie Hepburn, John Mason, Jean Urquhart); Abstentions 0. The Committee agreed, by division, to recommend that the Parliament approves the appointment of Lady Susan Rice as chair of the Commission and Professor Andrew Hughes Hallett as a member of the Commission: For, 4 (Kenneth Gibson, Jamie Hepburn, John Mason, Jean Urquhart); Against 3 (Gavin Brown, Malcolm Chisholm, Michael McMahon); Abstentions 0.
ANNEXE A: NOMINEES’ COMPLETED WRITTEN QUESTIONNAIRES AND CURRICULUM VITAEs

LADY SUSAN RICE CBE

Written questionnaire

Question 1: How has your previous experience equipped you to fulfil your role as a member of the Scottish Fiscal Commission?
Significant experience as a banker in Scotland, and as a non-executive director of organisations in all three sectors, here and more widely, provides substantial experience from which to draw. As a banker, I have to understand what drives our customers’ financial decisions and the market in which we operate. I created the function of Chief Economist first for Lloyds TSB Scotland and subsequently at Bank of Scotland (you will know my colleague Donald MacRae) and have championed the development of a deep economic understanding of markets within Scotland in its own right. My board affiliations include two FTSE 50 companies, start-up organisations, think tanks and the Bank of England. I have helped set up several social finance organisations, chair several boards in the arts, have links to higher education. In other words, my touch is broad. My experience in the Chair covers all three sectors. Of particular relevance, perhaps, is my chairmanship of the Audit & Risk Committee of the Bank of England.

I have a keen sense of public service and have supported a number of initiatives in Scotland, because of my interest in specific issues. These range from the Scottish Advisory Taskforce on the New Deal, to extensive support for YoungScot, to Scotland’s Futures Forum, the Scottish Euro Preparations Committee, the Strategic Group on Women, the 2020 Climate Change Group. I also chaired the Steering Group that created the Financial Services Strategy Group, have been the external member on a number of senior promotion panels for the Scottish Executive and currently sit on the Council of Economic Advisors. These have been under various administrations and all have required independence from the political process. Similarly, as President of the Scottish Council for Development and Industry (SCDI), I support the staunch independence of its research and debates. Non-executive experience, public sector experience, chairmanship experience and a strong connection to matters Scottish and to the economic issues which effect people and businesses in real life would all come into play if my nomination was approved.

Question 2: What do you see as the immediate priorities for the Scottish Fiscal Commission?
The first year of operation for the Scottish Fiscal Commission is critical in that it needs to be set up, and its ways of working and sources of support need to be established. At the same time, it needs to be productive and will need to produce a commentary at the time of the Budget submission in autumn 2014. Before its remit is put on a statutory basis, a memorandum of understanding will need to be agreed by the Scottish Government, the Scottish Fiscal Commission and relevant agencies. Key to its operation is the independence of its analysis and the focus of the challenge process it ensures takes place. While the Scottish Fiscal Commission will comprise, if approved, two highly distinguished and experienced
economists and a banker and business person (in myself), I expect we will still need to identify the best sources of additional information and analysis to help us vet the forecasts or models which the Scottish Government develop in relation to Scotland’s new sources of tax revenues. It might be helpful in the first instance to consult the OBR, and possibly also some fiscal commissions in other countries. Some do their own forecasts but some would be modelled like the proposed Scottish Fiscal Commission and be charged with vetting the forecasts developed by their respective governments. It would be helpful to understand what has worked and not worked for them and, if their set-up was fairly recent, what are the lessons learned. It is beneficial, therefore, that the Scottish Fiscal Commission’s remit at its inception is restricted to the new streams of tax revenue.

**Question 3: How do you think the Scottish Fiscal Commission should operate in reaching its position in relation to commentary on the Scottish Government’s forecasts?**

The most important factor in the operation of the Scottish Fiscal Commission will be its independence – that it is exercising informed challenge and analysis and doing so without regard to party politics or professional interests. It must do this in a robust and transparent way. Its purpose is to achieve what is best for the nation and it is the overall public interest that must drive the nature of its deliberations. By way of example, my responsibilities as a non-executive with the Bank of England have also been driven solely by the public good. This doesn’t mean that all the judgements of the Scottish Fiscal Commission or any other body, in retrospect, turn out to have been the ‘right’ ones. But it does mean that there must be no imputation of conflict or carelessness in making those determinations. On a more operational level, the Scottish Fiscal Commission will require a lot of data, a lot of information. It will need the expertise to analyse the economic models which will be developed. It will need information on wider economic factors and should draw those from a range of sources. It will likely need to identify a small cohort of skilled individuals to help with the analysis and it will need to ensure that they are also independent in the way I have described. Members of the Scottish Fiscal Commission will have to meet, discuss and challenge each other in order to develop the required commentary. Their deliberations and their outputs must be underpinned by transparency and non-partisanship.

**Question 4: How do you think the Scottish Fiscal Commission should operate to ensure that its independence from the Scottish Government is clearly demonstrated?**

The Commission should comprise members who are themselves independent, who do not and have not taken political stances, who are not in a situation of conflict professionally, and who have a proven track record of drawing conclusions based on evidence, and the ability to distinguish good evidence from that which is not. The proposal is to situate the Scottish Fiscal Commission independently within one of Scotland’s universities and provide the independent expert help which the Commission deems necessary. As a final point, if it is made quite clear publicly that its primary mode of operation is one of independence, it will then be self-monitoring alongside any public scrutiny to ensure that remains the case.

**Question 5: Do you hold any other roles or have any business of financial connections which might give rise to or be perceived as being a potential**
conflict of interest in carrying out your role as a member of the Scottish Fiscal Commission?
I don’t hold any other roles or have a business or financial connection which would give rise either to a genuine or perceived conflict of interest. I was asked to join the Council of Economic Advisers in 2011 and agreed to do that only if my political independence would be protected at all times. For professional reasons I must remain and be seen as being independent. This restriction was accepted willingly; the CEA is chaired by an independent member and my requirement has at all times been fully respected. As mentioned, I hold other roles with Scottish-based organisations. These include the Scottish Council for Development and Industry, several arts organisations and, recently, as a non-executive with Scotland’s Futures Forum. I do all of these things because I care greatly about Scotland as a country, about its people and its future and I would approach the role with the Scottish Fiscal Commission in exactly the same way. None of these roles poses a direct conflict with Commission activity and nor am I in any position where I would be subject to inappropriate influence.

I’m honoured to have been asked to have my name put forward to chair the Scottish Fiscal Commission. If that appointment is approved, I would look forward to helping create something brand new for this country, and genuinely important, and seeing that it operated to the highest standards. It would be a great privilege to do so.

Curriculum Vitae

SUSAN I RICE, CBE

August 2000 to present – Lloyds Banking Group

Managing Director, Lloyds Banking Group Scotland – January 2009 to present

The senior Group executive on the ground in Scotland, delivering its approach to business, staff and external issues, through customer and stakeholder contact, diffusing issues, communication, internal and external political and stakeholder engagement.

Chief Executive, Lloyds TSB Scotland plc (2000 – 2009)
Chairman and Chief Executive, Lloyds TSB Scotland plc (2008 - 2009)

Developed and implemented strategies to optimise financial and operational performance of Lloyds TSB Scotland, a separately registered clearing bank offering a full range of retail and wholesale banking services.

Managing Director of LBG Scotland & North Community Bank - August 2005 to 2009

Developed and implemented strategies for the branch network business across the north of England including Lancashire and Yorkshire. Responsible for 5000 staff, 500 branches overall and P&L.
January 1997 to August 2000 – Bank of Scotland

Managing Director, Personal Banking

February 1999 to August 2000
Responsible for mortgages, cards, long-term savings, general insurance, deposits, money transmission, client banking and private banking/offshore for Group-wide customers.

February 1998 to January 1999
Deputy head of division responsible for branch operations and all retail and small business banking in Scotland. Directed sale of Registrars business to Lloyds TSB Registrars. Executive charged with creation of the Bank’s own life, pensions and investment business.

January 1997 to January 1998
Transformed a centralised Bank function into a profitable third party provider of debt management services for external companies. Managed the Corporate Securities Services Division and the Bank’s exit from this business. Negotiated the profitable sale of Global Custody and Corporate Trust Businesses. Set Bank strategy around financial exclusion.

Other responsibilities included: leading the Bank’s focus on financial exclusion; core involvement with the Bank’s acquisition activity; providing media comment for the Bank on a wide range of topics; presenting at industry, government and international conferences; advising government (Westminster and Scottish Executive), regulators and the industry on financial exclusion matters.

1986 to 1996 – National Westminster Bancorp

Senior Vice President & Division Head
Managed community development program of American subsidiary of major UK Bank. Designed program to meet regulatory requirements of the Community Reinvestment Act. Directed community, economic development and structured finance lending programs, CRA related risk management, product development, publicity, community outreach and charitable contributions.

Previous assignments as Officer-In-Charge of special projects relating to the integration of several acquired institutions. Focus on branch banking, cash management, asset-based lending, private banking, small businesses and retail and wholesale systems

1981 to 1986 - Colgate University - Dean of Students

1980 to 1981 - Hamilton College - Staff Aide to the President

1973 to 1979 - Yale University - Dean of Saybrook College
Oversaw student academic planning and social structures at all three institutions. Managed multi-million dollar construction projects from program and design development to occupancy. Participated on planning groups and task forces with responsibility for analysis, research and presentations. Advised and consulted with senior university management. Crafted and executed plans for personnel and resource deployment.

1970 to 1973 Yale University Medical School - Medical Researcher

U.K. Boards/Committees

Non-Executive Director, Bank of England Court (2007-); Audit & Risk Cttee Chairman
Non-Executive Director, J Sainsbury’s (2013-)
Chair, Edinburgh International Book Festival (2001-)
Non-Executive Director, Scottish and Southern Energy plc (2003-); Senior Independent Director for 6 years; RemCo Chairman (2008-)
Non-Executive Director, Big Society Capital (2011-)
Non-Executive Director, National Centre for Universities and Business (2013-)
Chair, Edinburgh’s Festivals Forum (2007-)
Chair, Chartered Banker: Professional Standards Board (2010-)
Chairman of Governors, Patrons of National Galleries of Scotland (2011-)
President, Scottish Council for Development and Industry (2011-)
Regent, Royal Society of Surgeons Edinburgh (2010-)
Lay Member of Court, Edinburgh University (8/2014-)
Trustee, Lloyds TSB Foundation for Scotland (2009)
Member, Advisory Group to Lord Mayor’s Initiative (2011-2014)
Non-Executive Director, Scotland’s Futures’ Forum (2005-2013)
President cdf(a) (2008-2010), Patron (2005-)
Patron, Young Scot (2007-)
Director, UK Charity Bank (2001-2008)
Director, Scottish Business in the Community (2001-2010)
Chair, Advisory Committee of the Scottish Centre for Research on Social Justice (2002-2008)
Chair, Committee of Scottish Clearing Bankers (2001-03)
Deputy Chair, Scotland’s 2020 Climate Group (2009-), Chair, Finance Sub Group (2009-)
Member, Oxford University’s Said Business School Advisory Forum (2006-2013)
Member, The Goodison Group in Scotland (2004-2013)
Member, Council of Chartered Institute of Bankers, Scotland (2001-)
Member, Scottish Advisory Task Force on the New Deal (2000-2004)
Member, Aberdeen Common Purpose Advisory Board (1999-2006)
Member, BP Scottish Advisory Board (2002–03)
Trustee, David Hume Institute (2000-2005)
Chair of Judging Panel – Scottish PLC of The Year Awards (2004 and 2009)
Chair of Judging Panel – Deals and Dealmakers Awards (2010)
Chair of Judging Panel – Creative Scotland Awards (2005)
U.K. Public Service

Member, First Minister’s Council of Economic Advisers (2011-)
Member, Steering Board to set up National Centre for Universities and Business (2012-)
Member, HMT Financial Inclusion Taskforce (2005-2011)
Chair, Steering Group, Financial Services Strategy Group, Scottish Executive (2003-2004)
Private sector representative, Selection Panel for Permanent Secretary, Scottish Executive (2003)
Member, Strategic Group for Women, Scottish Executive (2003)
Member, Friends of Scotland Advisory Board to Secretary of State for Scotland (2002-2003)
Member, Scottish Euro Preparations Committee, reporting to Secretary of State for Scotland (2003-2006)
Member, Editorial Board, Scottish Higher Education Funding Council (2003-2004)
Member, HM Treasury Policy Action Team on Access to Financial Services, reporting to the Chancellor (1997-2000)
Member, Foresight Sub-Committee on Retail Financial Services (2000)

U.S. Boards/Committees

Chair, the Consumer Affairs & Community Re-investment Committee of the New York State Bankers Association
Director, Greater Jamaica Development Corporation
Director, Neighborhood Housing Services of New York City
Trustee, New Jersey Community Loan Fund
Director, New York Community Investment Company
Director, South Bronx Overall Economic Development Corporation
Advisor, Community Re-investment Institute
Judge, Bruner Foundation – Rudy Bruner Award 1997 national panel of judges
Member, New Jersey Legislature Housing Advisory & Steering Committees
Advisor, The Seton Hall Center for Public Service
Advisor, Women’s World Banking in North America

Publications

Honours

CBE  2005 New Year’s honours list
DBA (Hon)  The Robert Gordon University
DR hc  University of Edinburgh (Hon)
D Litt (Hon)  Heriot-Watt University
D Univ  University of Paisley (Hon)
D Univ  Glasgow University (Hon)
DBA (Hon)  Queen Margaret University
LLD (Hon)  Aberdeen University
HRH Prince of Wales Ambassador for Scotland for Corporate Responsibility (2005-2007)
Honorary President  cdfa  2007-2010 (Patron since 2005)
Chartered Banker
FCIBS
FRSA
FRSE

Awards

2013  Lifetime Achievement Award from VIBES, the business and Environment awards
2011  Top five Women of Influence, and top in business, in Scotland (Herald)
2011  Leadership Award, Arts and Business Scotland
2011  Wellesley Alumnae Achievement Award
2008  Insider Corporate Elite Business Woman of the Year
2007  National Business Awards Scotland – Inaugural Leadership Award
2005  Lifetime Achievement Award, Women in Banking and Finance
2002  Spirit of Scotland annual Business Award
2002  Insider Corporate Elite Business Woman of the Year
2002  Finalist, European Businesswoman of the Year
2002  Most Influential Businesswoman in Scotland (Sunday Herald)
1999  Business Person of the Year Sunday Independent Award (Ireland)
1999  Burgess of Guild of the City of Aberdeen
1995  National Social Compact Award (U.S.)
     National American Bankers Association Award (U.S.)
     NJ Governor’s Financial Institution of the Year Award (U.S.)
1994  Induction into the American Academy of Women Achievers
1994-1996  Consecutive ‘Outstanding’ CRA ratings from national bank examiners

Education

B.A.  Wellesley College, Massachusetts
M.Litt University of Aberdeen, Scotland

**Interests**

Modern Art, Hillwalking, Opera, Fly Fishing
PROFESSOR ANDREW HUGHES HALLETT

Written questionnaire

Question 1: How has your previous experience equipped you to fulfil your role as a member of the Scottish Fiscal Commission?

As an academic I have worked in economic theory, and with models of applied and empirical economic analysis, and have applied what I have learned to a range of “live” policy problems – most often in the area of fiscal and monetary policies, their interactions and impact on the economy – both in and, more often, out of Scotland. This has given me a uniquely broad view of how best to analyse issues of economic policy, using best practice quantitative techniques, and yet present the results in easy, straightforward terms that respect the constraints of what is politically and administratively feasible.

Over the past 20 years, I have worked for the government of Suriname (fiscal break down) on behalf of the IMF and Dutch governments; calculated the exchange rate conversion factors for those entering the Euro (for the European Commission); examined exchange rate policy as a stabilization mechanism, and the impact of monetary discipline on fiscal policy choices (both for the IMF); on Free Trade Zones as a trade policy (World Bank); on the impact of exchange rate volatility on trade and investment (European Commission). I was one of 13 “leading academics” (5 from the UK) selected by the UK Treasury to review the decision of whether to join the Euro; I was a member of the Calman Commission’s expert panel on fiscal devolution; I was advisor to the Dutch Presidency of the EU, to design a programme for the next steps forward for “the Euro at Ten” – with some prescience as this was the start of the debt targeting policy finally adopted by the Council of Ministers in their declaration of 2012. Further examples: the fiscal implications of demographic change (European Commission); fiscal rules and debt control in the East Caribbean currency union (for the World Bank); and as continuing advisor to the European Central Bank since 2002, first on fiscal policy and asymmetries in the Euro area, and then on fiscal rules and sustainable debt targets.

What these projects have in common, is that they involve identifying the root of a problem, formal analysis, quantitative models to measure it, and a proper of the implications in a user-friendly way.

On fiscal policy commissions specifically, my own work started with view of the remit, with a suggested framework and operating procedures for an EU level fiscal council in 2003 (in a monograph for the CEPR, London). It continued through a paper on the purpose and design of such a commission for the Scottish economy (for the Council of Economic Advisors in 2009), extended in a paper for the Council’s working group in 2013, and presented as evidence to the Scottish Parliament in 2013. I have published several academic papers on the subject, most recently in 2012 in the Journal of European Public Policy.
Question 2: What do you see as the immediate priorities for the Scottish Fiscal Commission?
In general, a Fiscal Commission should a) review the outlook for future government revenues and public spending; b) estimate the implications for current and future structural imbalances, and public debt in particular; and c) estimate the consequences of current spending and taxation plans for economic performance; d) offer advice on how to correct any imbalances that may emerge, and monitor if those corrections have been made. Its work must therefore be forward looking; it should not engage in policy advocacy; and its analysis must remain within the targets and priorities set by the elected government.

In our case, the remit will necessarily be rather limited to start with because the two taxes to be monitored are quite small and not amenable to the kind of forecasting and monitoring techniques normally used in this kind of work. However things will change very quickly when the rest of the Scotland Act comes into force. At that point, the Commission will be unable to avoid the issue of whether it should have a wider remit since at that point it will have to examine all the revenues raised in Scotland and their outcomes will be influenced by different forces outside the fiscal arena, by other people’s forecasts and economic performance, and by the attempt to reach different goals. This is not to demand an immediate answer, but the Commission will need to resolve how best to approach the issue, and determine how far and how fast to extend.

In the longer term, it might consider accepting work, on request from the Parliament, to assess the implications of specific economic problems or specific policy proposals that MSPs need investigated; perhaps as the Congressional Budget Office does in the US.

Question 3: How do you think the Scottish Fiscal Commission should operate in reaching its position in relation to commentary on the Scottish Government’s forecasts?
The first step has already been taken: the Commission is accountable to the Scottish Parliament, not to the Scottish Government. The second step is the Commission should operate according to comparative advantage. This is already implicit too: a models expert, a more general economic policy analyst, and one familiar with the business and financial climate.

Third, the commission should get familiar with the models and information needed to forecast fiscal revenues/spending and their impact on the economy – both those used in the Scottish government, and crucially those outside and outside Scotland. This may be easy at the start; but with limited manpower it will be necessary to contract out to those who can undertake the detailed analysis while we focus on the evaluation and assessment part\(^7\). That may happen automatically once the Scotland Act comes into force, since it will then be necessary for the SFC to look at all locally raised revenues.

Fourth, as the financial crisis has made clear, fiscal deficits and difficulties often arise from pressures outside the fiscal arena (liquidity shortages, private debt, etc.).

\(^7\) As the Northern Ireland Economic Council does now.
capital outflows), the Commission will need a watching brief over those factors – and also over the OBR forecasts, and factors underpinning them, for the same reason.

Next, the commission needs to set up an established routine for assessing the government’s forecasts and fiscal plans - a main report in October perhaps, to give the government an option to revise the budget projections if it wishes. A report earlier in the year to review forecasts and fiscal health at that point; and an annual report at the end of the year on the state of public finances and the economy, and the likely constraints on policy going forward.

It would be valuable to establish regular contact with fiscal commissions engaged in the same activities elsewhere (for example in Denmark, Sweden, Ireland); or with agencies performing the same function (OBR, HMT, European Commission, European Stability Mechanism).

Question 4: How do you think the Scottish Fiscal Commission should operate to ensure that its independence from the Scottish Government is clearly demonstrated?
The Commission needs to be, and be seen to be politically, personally and functionally independent. This is more that you would require for a monetary policy committee say, because a commission of this kind has no executive authority. Its effectiveness derives from the professional standing, and impartial credibility of its members.

In my view, this means it should be independent both politically and physically; and also free to choose whatever of models, forecasts, personnel and information its regards to be necessary for completing its remit. This might be achieved by starting from a (publically available) agreed and signed set of statutes, including a public commitment to allow the Commission to set the details of its remit as well as the best means to achieve that.

To demonstrate the force of this independence, the Commission should have a protected and publically visible budget; its members should have fixed term non-renewable contracts; and the Commission and its member’s work should be protected by Parliament, and it needs to be situated physically separate from the government, or any political or lobbying organisations.

The Commission is accountable to Parliament. But to reinforce its independence, Parliament have the Commission’s work reviewed every 5-7 years (say) by outsiders – preferably by foreign government officials, academics or other fiscal commission people.

Question 5: Do you hold any other roles or have any business of financial connections which might give rise to or be perceived as being a potential conflict of interest in carrying out your role as a member of the Scottish Fiscal Commission?
None. My policy and advisory work is strictly a matter of public service. As a result I have no extra-mural positions that would bring me financial, academic or political advantage. Specifically, I do not work with any research grants or contractual
positions from the Scottish government. I am a member of their Council of Economic Advisors on the condition that my independence would be protected, as it has been when opinions differed. The same was true for my work for HMT and the Calman commission. I am often asked for advice or commentary on a “pro bono” basis, all four major parties in the UK have approached me at one time or another, but I do not undertake to do so unless the independence of my analysis and advice can be honoured and guaranteed.

Curriculum vitae

Name: ANDREW HUGHES HALLETT

Date of Birth: 01 November 1947

Nationality: British (US Green Card)

Marital Status: Married, three children

Present Positions: University Professor (Endowed Chair); Professor of Economics, for Economic and Public Policy School of Economics, George Mason University University of St Andrews School of Public Policy St Andrews Fairfax, VA 22030, Fife, KY16 9LB USA Scotland

Contact Details:
Office: 703-933-8200
Fax: 703-993-8215
E-Mail: ahughesh@gmu.edu
Web: www.policy.gmu.edu/faculty/hallet/index.html www.st-andrews.ac.uk/economics/staff/pages/a.hughes-hallett

Qualifications
1976 DPhil, University of Oxford (Nuffield College);
1971 MSc (Econ), London School of Economics;
1969 BA (Hons), First Class, University of Warwick.

Current Employment (joint appointments)
2006-date Professor of Economics and Public Policy, George Mason University, USA
2007-date Professor of Economics at St Andrews University Scotland

Other Employment
1999-2007 Subject Area Correspondent, American Mathematical Society
1986-2001 Panel of Selectors, Government Economic Service,
1985-2009 London  

Past Employment
2001-2006 Professor of Economics at Vanderbilt University, Nashville, USA
1989-2001 Jean Monet Professor of Economics at University of Strathclyde, UK
1985-1989 David Dale Professor of Economics, Newcastle University, UK
1977-1985 Associate Professor in Economics, Erasmus University, Holland
1973-1977 Lecturer in Economics, Bristol University, UK.

Part Time and Visiting Positions
2012-2013 Associate Faculty, Kennedy School, Harvard University

2006 Visiting Professor, University of Frankfurt, Germany
2005 Bundesbank Visiting Professor at the Free University, Berlin
2002-2004 Professor of Economics, Cardiff University Business School
2002-2007 Visiting Professor at St Andrews University
2001-2009 Research Associate, Centre for Economic and Business Research, Copenhagen, Denmark
1998-1999 Senior Associate Member, St Antony's College, Oxford, UK.
1992-1994 Professor of Economics, Princeton University, USA, and Fulbright Scholar.
1987, 1988, 1993, 2009 Professor of Economics, University of Rome, Italy
1983 Lecturer in Economics, University of Warwick, UK.
1980 Lecturer in Economics, University of Bristol, UK.

Public Service

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<tr>
<th>Year</th>
<th>Position Description</th>
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<tr>
<td>2012-2014</td>
<td>Working group (with Professors Stiglitz and Mirrlees) to design the economic policy framework and institutions for an independent Scotland (appointed by the Government of Scotland)</td>
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<td>2008-2009</td>
<td>Special Advisor to the Calman Commission investigating the Devolution of Government powers to Scotland (appointed by the UK Government).</td>
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<tr>
<td>2009</td>
<td>Review on the research and the performance of research department in the Central Bank of the Netherlands since 2002, at the request of the Board of Governors</td>
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Honours, and Measures of Esteem

- Ranked in the top ½% of economists world-wide (230/40038, or 0.57%) by publications, citation and readership (RePEc ranking service, April 2014 unfiltered).
- Faculty Associate, CID, Kennedy School, Harvard University.
- Featured speaker on fiscal governance, G20 follow up conference, New Delhi, 2012.
- Distinguished Speaker for Speakers Academy International, since 2012
- Fellow of the Royal Society of Edinburgh (Scotland’s Academy of Sciences);
- Medal for Excellence in Research, University of Rome (“La Sapienza”), 2009.
- Highest Quality Rating for Contributions to Economics by Anbar Intelligence; 21st Century Award for achievement by the International Biography Centre
- Fellow of the Royal Society of Arts;
- Fulbright Scholar, USA, 1992-94;
- Council Member, Scottish Economic Society 1998-2006;

Professional Activities: A Summary

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<td>Econometric Theory</td>
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<td>Quantitative Methods (Algebra, Calculus)</td>
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<td>Advanced Economic Theory</td>
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<td>International Money and Trade;</td>
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<td>Applied Econometric Topics;</td>
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<td>Optimisation Techniques and Dynamic Analysis in Economics</td>
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<td>Intermediate Macroeconomics (u/g and p/g)</td>
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<td>International Trade (u/g)</td>
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<td>International Money and Policy (u/g)</td>
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<tr>
<td>Economics of Nations and Regions (u/g)</td>
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PhD Supervision

At present I am supervising 3 PhD students at George Mason. I have supervised 30 PhDs in the past 15 years. Roughly 15 are in research positions in Central Banks or international agencies; and 15 are professors or in other top academic positions. A list of PhD students appears later in this CV.

Visiting Scholar Programmes:

Consultancy:
- World Bank
- IMF, Washington
- European Commission
- UNDP, UNESCO
- OECD
- Board of Governors, Federal Reserve System, Washington
- Centre for European Policy Studies, Brussels
- HM Treasury, London
- Governments of Vietnam, Hungary, and Suriname
- Peterson Institute (for International Economics), Washington
- Reserve Banks of Australia and New Zealand
- Danish Ministry of Trade and Industry
- The Dutch Central Bank
- Bank of Finland
- Bank of England

Recent Consultancy Projects
- European Central Bank: An analysis of the timing and best policy mix for exiting the Euro debt crisis (2012); and an analysis of different fiscal sustainability regimes for after the current crisis (2011). Follows on from a project on the use of real time and cash data for fiscal policy monitoring (2009-10)
- Advice to the IMF’s World Economic Outlook team on debt targeting and fiscal sustainability, 2009
Review of research performance and the quality of economic advice (a once every 7 years review) for the Central Bank of the Netherlands, 2009.

Research Grants
1984/2010: Value £1.4m approx, to date. [A list of projects available on request].

Total Publications
200 papers in peer-reviewed journals [American Economic Review(1), Economic Journal(2), European Economic Review(5), Journal of Economic Dynamics and Control (12), Oxford Economic Papers (8), Journal of Development Economics, Journal of Applied Econometrics etc; from which nine have been reprinted in books of special readings]. Also 97 papers contributed to books, eight books (four were edited), and 15 government or agency reports and 8 expert witness reports or evidence to Parliaments.

Research Interests
Open Economy Macroeconomics;
Policy Coordination and Exchange Rate Management;
Monetary Integration, also Monetary and Fiscal Union in Europe;
Political Economy Models;
Regionalism, Policy Choice and Reform;
The Theory of Economic Policy and Institutional Design;
Dynamic Games and Bargaining Models;
Risk and Decisions under Uncertainty;
Commodity Markets, Commodity Policy and Strategic Trade Policy;
Numerical Methods in Econometrics.

Editorships:


Co-Editor or Associate Editor: Open Economies Review.


Refereeing and Evaluation Work:
Referee for Research Councils: ESRC Economics Committee, the Leverhulme Trust, the EU Commission’s economic research programme; National Science Foundation in the US; also the Canadian NSF, the Dutch NSF and Belgian NSF.

External Assessor: for senior appointments made at the Universities of Cambridge, London, Georgia (US), Tilburg, California (Davis), Athens (Greece), Free University Berlin, University of the West Indies.

Expert Witness:
1. For the Treasury Select Committee: "Britain and the Single Currency: An Assessment of the Chancellor's Five Economic Tests". Evidence presented to the Treasury Select Committee of the UK Parliament, evaluating the conditions for Britain's possible entry to monetary union in Europe.

   This evidence was published by the Committee in its fifth report "The UK and Preparations for Stage Three of Economic and Monetary Union", Volume III, pp. 65-94, HMSO (April 1998).

2. Expert witness for the defence, evaluating the economic and statistical evidence being presented in a £9 million breach of contract case (Unigate Dairies vs. Scottish Pride) before the Court of Sessions, Edinburgh (Scotland's Supreme Court) in 1997.


5. Evidence to the House of Lords Select Committee on Economic Globalisation; and to the European Commission on Transparency in Economic Policy.

6. Evidence to the House of Lords Select Committee on Europe, on the working of and possible reforms to the Stability and Growth Pact (published 2003).

7. Contributor to the draft constitution for Scotland (2002).

8. Evidence for the Treasury and Treasury Select Committee of the House of Commons on the problems caused by “Asymmetries and Asymmetric Policy Transmissions in the Single European Currency". This was one of 14 studies commissioned by the UK Treasury, as part of their 5 tests for whether Britain could join the Euro (2002-3).


12. Expert Witness to the Economics and Tourism Committee of the Scottish parliament (three times), the Finance Committee (2013), and to the Scotland Bill Committee of the Scottish Parliament (2010-12). Advisor and Witness to the reconvened Scotland Bill Committee in the Scottish parliament (twice 2011-12).


Publications:

A). Top Ten Economics Journals (ranked by citation; AEA definitions)


**Top Ten Maths Journals** (ranked by citation, AMS definitions)


**B). Other Papers in Refereed Journals**, by Research Assessment Periods:

**New Papers in 2013-14:**


17. “External imbalances and fiscal fragility in the euro area”, *Open Economies Review*, 25, 3-34, 2014 (special issue, with P. Alessandrini, M. Fratianni, and A. Presbitero)


Five new papers under submission; three at the revise and resubmit stage.


A list of refereed publications, from 2007 back to 1979, is available on request.

**Books 2012-14:**

**The Theory of Economic Policy in a Strategic Context**: Cambridge University Press, 2013. A rehabilitation of the theory of economic policy in a world of rational expectations, multiple policy makers and policy games, it is the first such review for 30 years. It covers issues such as the impact of strategic behaviour, the limits to the Lucas critique and time inconsistent behaviour, policy neutrality, policy selection with multiple or nonexistent equilibria, the theory of policy announcements and communication.

**Knowledge Transfer Activities and Impact (2008-14):**

1. Proposals for a Debt Targeting Regime in the Euro area: Optimal Debt Targets, Debt Limits and Sustainable Fiscal Rules to Promote Economic Growth. Consultancy assignments undertaken for the European Central Bank in 2010-12. The final papers are now released for publication.

2. The Case for Debt Targeting in Fiscal Policy. A consultancy contract for the European Commission in 2007-8. It resulted in three things: a) Advice to the Dutch Minister of Finance on the development of Euro-zone in the context of his proposals to the EU Heads of Government “Euro at Ten” conference, the Netherlands in the chair; b) the incorporation of debt targeting into Euro-zone fiscal policy rules by the EU’s Council of Ministers (June 2012); c) a review of the benefits of coordinating policies internally: “Co-ordination without Explicit Co-operation: monetary-fiscal interactions in an era of demographic change”, *European Economy*: Economic Papers 305.

3. As a spin-off from #2, an updated version of the importance of maintaining a balance between austerity and growth policies in the debt crisis: a presentation plus a review/interpretation of the literature for the European Stability Mechanism (2013).

4. An extension of the debt targeting and coordination ideas to evaluate the importance of timing and the management of expectations in designing policies to escape the current debt crisis. A consultancy assignment for the European Central Bank, currently underway (2012-13).

6. Recommendations for improving fiscal control and economic policies in the East Caribbean Economic Union. A consultancy project for the World Bank on behalf of the Organisation of East Caribbean States (2011-12, extended in 2013), under the title “The Fiscal Policy Framework in the Euro Area: Lessons and Implications for a Fiscal Framework in the Eastern Caribbean Currency Union”. The extension was to include the lessons learned from the difficulties of setting up a banking union, resolution mechanism and the separation of public and private risks in the EU.

7. Reports, analysis, policy recommendations to the Scottish Government from the Council of Economic Advisors since 2008. My topics: sources of growth, policies to promote productivity growth, borrowing, a framework for fiscal autonomy, fiscal policy councils (see the council’s annual reports) and a general economic framework for autonomy or independence (see http://www.scotland.gov.uk/Topics/Economy/Council-Economic-Advisers/FCWG).

Papers undertaken for International Policy Agencies, 2008-14:
“Fiscal decentralisation, economic performance and budgetary outcomes at the sub-national level”, European Commission, DGII, Brussels (November 2012)

Commissioned paper/presentation for the annual G20 follow up conference, New Delhi, October 7-9, 2012.


“Global Imbalances in a World of Inflexible Real Exchange Rates and Capital Controls”, WP 330, Asian Development Bank, Tokyo, December 2011


**Keynotes and Invited Panel Discussions in 2011-14:**
- University of Nijmegen (Netherlands), Texas A&M, University of South Australia, University of Rome; INFER conference (Germany); Atlantic Economic Society (Istanbul); European Stability Mechanism; Danish Central Bank; University of California Berkeley; European commission/Scottish Government; University of Rome; Central Bank of Croatia, Australian National University (twice).
- Invited Lecture: the 12th Annual lecture on “the State of the European Economy”, College of Europe, Bruges (October 2013).
- Public Lecture “The Practicalities of Economic Federalism” at the European Academy, Bolzano/Bozen, Italy (February 2014).
- Panel Session on the Economics of Scottish Independence, Royal Economic Society, April 2014.
- Panel Session, the Economics of Scottish Independence, Money Macro and Finance Group (University of London), June 2014 – a debate with the NIESR, Institute of Fiscal Studies, the Permanent Secretary of the Treasury, and others.
- Presentation to the Money, Macro and Finance group annual conference, on options for the Scottish Economy after the referendum, University of Durham, September 2014.
- “Monetary Policy and Sovereign Debt: Does the ECB Take the Eurozone’s Fiscal Imbalances into Account?”, American Economic Association meetings, January 2015.
Written questionnaire

Note to Finance Committee: I have not yet had the opportunity to discuss the operation of the Fiscal Commission with the other nominated members, and so the views expressed below are solely my personal opinion.

Question 1: How has your previous experience equipped you to fulfil your role as a member of the Scottish Fiscal Commission?
I began my academic career over 20 years ago working as a researcher on an Economic and Social Research Council (ESRC) funded project to build a macroeconometric model of the UK economy. Possibly more than my formal qualifications, this experience meant I developed knowledge of both the theory and empirics of all the major aspects of the macroeconomy and modern macroeconomics. The Scottish Government’s modelling of the devolved tax revenues which is to be subject to the Fiscal Commission’s scrutiny would essentially be similar to elements of such a macroeconometric model. Since then I have built a research career looking at macroeconomic policy making (monetary and fiscal policy) in a variety of settings (both within closed and open economies and with a variety of frictions and distortions defining the trade-offs facing the policy maker). This work has been published in numerous journals, presented to both academic and policy-making audiences and has attracted ESRC funding.

However, a large part of the activities of an academic are not solely concerned with their own research, but are related to the review and assessment of the research of others. In this respect, I have acted as an editor and referee for several Economics’ journals. I have also served on the Economics and Econometrics sub-panel of the periodic reviews of UK research undertaken in the Research Assessment Exercise 2008 and Research Excellence Framework 2014.

I believe this combination of research and review experience mean that I am able to fulfil the role required of a member of the Scottish Fiscal Commission.

Question 2: What do you see as the immediate priorities for the Scottish Fiscal Commission?
The Fiscal Commission is required to review the quality of the Scottish Government’s forecasts in respect of the devolved taxes detailed in the Fiscal Commission’s remit. These forecasts are to be ‘owned’ by the Scottish Government rather than the Commission, such that the Fiscal Commission will not be directly involved in their construction. It is important that this distinction in maintained.

However, in order for the Fiscal Commission to discharge its obligation to assess the quality of the forecasts and their underlying assumptions, the immediate priority for the Fiscal Commission lies in gaining access to the relevant modelling work of the Scottish Government. Formally, this requires appropriate memoranda of understanding to be drawn up to facilitate such access. More practically this could go as far as passing to the Commission the relevant data and computer codes to enable them to fully replicate the Scottish Government’s forecasts in
respect of the devolved taxes, including identifying any judgemental adjustments which have been made relative to the underlying model. Without knowing exactly how the forecasts are constructed, it is not clear to what extent such an approach would be practical. However, to the extent that such a hands-on approach is feasible it would also allow the Commission to assess which assumptions most materially drive the forecast. This would also facilitate a dialogue with the forecasters which would hopefully improve the forecasting methods. Nevertheless the Fiscal Commission should never cross the line where the ownership of the forecast is in doubt.

Question 3: How do you think the Scottish Fiscal Commission should operate in reaching its position in relation to commentary on the Scottish Government’s forecasts?
As noted above, in my view the Scottish Government forecasters should develop their modelling techniques and present the Fiscal Commission with both their provisional forecast and as much detail of the underlying forecasting process as possible. The timetable for this is clearly dictated by the budgetary process. However, the Fiscal Commission could have a preliminary engagement with the forecasters over the modelling approach, with the ultimate forecast being finalised at a later stage.

Essentially, I think it may be desirable to partially separate the scrutiny of the method used to produce the forecast and the forecast itself, to avoid the Commission’s work being concentrated in a very short period prior to each forecast round. This would then spread the scrutiny work throughout the year and enable the Fiscal Commission to undertake some limited longer-term research work funded through its research budget in support of its ongoing evaluation of the Scottish Government’s forecasting activities.

Question 4: How do you think the Scottish Fiscal Commission should operate to ensure that its independence from the Scottish Government is clearly demonstrated?
As discussed during my previous appearance before the Finance Committee, there are numerous ways in which Fiscal Councils can be constituted to protect their independence through mechanisms such as protected budgets, fixed terms of appointments, locating the Commission outside of Government etc. However, although such activities create the conditions that can enable the Fiscal Commission to be independent, they do not necessarily guarantee it. Here it lies with the members of the Fiscal Commission to be seen to discharge their duties to fairly, but rigorously, scrutinise the Scottish Government’s forecasts.

In academia the integrity of research is maintained by the peer review process, but increasingly also by ensuring other researchers have access to sufficient information to enable them to replicate the findings of published studies. As I suggested in answers to earlier questions, I believe that following this approach as far as practically possible should have similar benefits in transparently demonstrating the independence of the Fiscal Commission.

Question 5: Do you hold any other roles or have any business of financial connections which might give rise to or be perceived as being a potential
conflict of interest in carrying out your role as a member of the Scottish Fiscal Commission?
None.

Curriculum Vitae

Employment:

June 2005 - Professor of Macroeconomics, Department of Economics, University of Glasgow
October 2003 – June 2005 Senior Lecturer, Department of Economics, University of Glasgow.
May 1999 – September 2003 Lecturer, Department of Economics, University of Glasgow.
October 95 – April 1999 Research Officer, Department of Economics, University of Exeter.
October 93 - September 95 Research Fellow, Department of Economics, University of Strathclyde, Glasgow.
October. 92 - September 93 Research Assistant, Department of Economics, University of Strathclyde, Glasgow

Higher Education:

October 95 –June 99 PhD in Economics, University of Exeter. Supervisor: Professor Simon Wren-Lewis.
October 93 - September 95 MSc in Economics (Distinction), University of Glasgow.
October 88 - September 92 B.A.(Hons) in Accounting and Economics, University of Strathclyde.

Research Interests:

My general research interests are in the area of New Keynesian Macroeconomics, utilising micro-founded general equilibrium models. In particular my research has included theoretical and empirical analyses of monetary and fiscal policy in both closed and open economies. However, my research interests are not limited to this area.

Teaching Experience:

I have taught a broad spectrum of courses at both undergraduate and postgraduate level including Financial Economics, Advanced Macroeconomics, Intermediate Macroeconomics, Government and the Economy, Economics for Management, Macroeconomic Modelling, and International Banking. This teaching has included a contribution to the core and Advanced Macroeconomics classes of the Scottish Graduate Programme in Economics at the University of Edinburgh. I also supervise postgraduate research undertaken as part of Masters and PhD study. Finally, I am a member of the Higher Education Academy (formerly the Institute of Learning and Teaching).
Editorial Positions:
- Co-Editor, B.E. Journal of Macroeconomics 2010-12.
- Associate Editor, European Economic Review, 2011-.

Research Network Affiliations:
- EACBN, Euro Area Business Cycle Network.
- CDMA, Centre for Dynamic Macroeconomic Analysis, University of St Andrews.
- CYCIT Research Network, Spain.

Recent Seminars/Workshops:
Aside from participating in the usual international conferences, I have also been invited to present papers at the following institutions:
- Other: CES-ifo (Munich), EER Symposium (Philadelphia), HM Treasury.

External PhD Examinations:

Completed PhD Students:
- Dr Raffaele Rossi, Lancaster University, UK.
- Dr Dario Pontiggia, Neapolis University, Cyprus.
- Dr Alexander Kadow, Bundesbank, Germany.
- Dr Alexander Richter, Auburn University, US.

Conference Organisation:
- International Macroeconomics Workshop, Valencia/Madrid (alternate years), 2006-2009
- European Economic Association, Glasgow 2010
- RES Program Committee, 2012-2014.
Journal Refereeing:

Additional Professional Activities:
- Member of Economics and Econometrics Sub-Panel and Focus Group for Main Panel C for the UK Research Excellence Framework, REF2014.
- Member of Economics and Econometrics Sub-Panel for the UK Research Assessment Exercise (RAE) 2008.
- Consultant for HM Treasury (see details of projects below).
- Member of ESRC’s College for Grant Evaluation.
- Fellow of the Royal Society of Edinburgh.
- Member of Royal Society of Edinburgh Sectional Committee.

Publications:

I. Chapters in Books


Comments in Books
II. Full Papers in Refereed Journals


**Papers under Revision for Refereed Journals**


**Other Significant Contributions to Journals**


**Conference Contributions**

My research papers have been presented at numerous conferences and have often been made available through associated electronic publications, see for example my profile on IDEAS, see [http://ideas.repec.org/e/ple41.html](http://ideas.repec.org/e/ple41.html).

**III. Research Reviews and Research Reports.**


IV. Policy Proposals.


This paper was commissioned by the EC and it attempts to quantify the optimal speed of debt stabilisation following the financial crisis.


This proposal for the creation of a Fiscal Council was cited by the incoming Conservative Government as providing the rationale for the newly created, Office of Budget Responsibility.


This was a proposal to change the UK’s inflation target from consumer to output price inflation.

All other Outputs

My work-in-progress is often listed on electronic databases. For example, with the REPEC and SSRN electronic databases (see http://ideas.repec.org/e/ple41.html and http://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=234670).

Research Income:

ESRC Grant (2001-2004) £50,000 (£34,000 for Dr. C. Leith) for research on “Interactions Between Monetary and Fiscal Policy” joint with Simon Wren-Lewis (University of Exeter). Rated as ‘outstanding’.
CYCIT Research Project (2003-2005) to facilitate collaboration on “Fluctuaciones y Crecimiento Económico en la UEM. Análisis y Evaluación de las Políticas Económicas con Modelos de Equilibrio General Estocástico”, joint with Alejandro Cuñat (LSE), Rafael Domenech (University of Valencia), Javier Andres (University of Valencia) and Antonio Fatás (INSEAD).


ESRC Grant (2005-2008) £147,000 (£97,000 for Prof C. Leith as the Principal Investigator) for research on “Reinstating Fiscal Policy as a Stabilisation Device” joint with Simon Wren-Lewis (University of Oxford). Rated as ‘outstanding’.

CYCIT Research Project 4 people from the University of Valencia and five economists based outside of Spain: Alex Cuñat (Essex), Ana Santacreu (NYU), Julen Esteban-Pretel (Tokyo University), Margarita Rubio (Boston College and Banco de España) and myself.

ESRC Grant (2008-2011) £150,000 for research on “New Directions in Monetary and Fiscal Policy Analysis at the Macroeconomic Level” joint with Simon Wren-Lewis (University of Oxford). Rated as ‘outstanding’.

ANNEXE B: CORRESPONDENCE

LETTER FROM THE CONVENER TO THE CABINET SECRETARY FOR FINANCE, EMPLOYMENT AND SUSTAINABLE GROWTH – 4 JUNE 2014

As you are aware, at its meetings on 28 May and 4 June the Committee took evidence from the nominees for appointment to the Scottish Fiscal Commission.

In light of the evidence heard some members expressed concerns about potential conflicts of interest, or perceived conflicts of interest, for the two nominees who are members of the Council of Economic Advisers.

The Committee agreed to seek clarification as to whether you agree that such a conflict exists or that one could be perceived.

You may wish to refer to the Official Report of the relevant meetings.

It would be helpful to have a response by close on Monday 9 June in order to allow the Committee to consider the nominees further at its meeting on 11 June.

LETTER FROM THE CABINET SECRETARY FOR FINANCE, EMPLOYMENT AND SUSTAINABLE GROWTH TO THE CONVENER – 6 JUNE 2014

Thank you for your letter of 4 June about evidence that the Committee has taken from the nominees for appointment to the Scottish Fiscal Commission.

I welcome the Committee’s scrutiny of this matter. As you know, I consider it to be critical to the effectiveness of the Commission that it is not only independent of government, but is seen to be so. It is in that light that I respond to the Committee’s request for clarification on whether I see a conflict of interest between the membership of the Council of Economic Advisers (CEA) and membership of the Commission.

In making nominations, I gave full consideration to the potential for conflicts of interest to arise, or be perceived to arise, between membership of the Commission and other roles and offices held by the nominees, including the CEA. I am satisfied that no conflicts exist and that were any to arise there are or would be satisfactory arrangements for dealing with them. I give my reasons below.

The CEA is an independent advisory group to the First Minister. Members of the CEA are invited to provide advice to the First Minister relating to the Scottish economy and to discuss issues relating to Scotland’s economic performance specifically in relation to recovery and jobs, internationalisation, and economic levers. Individuals who are invited to join the CEA have a detailed understanding of the Scottish economy, either from an academic standpoint or from practical experience. It is of course the case that similar knowledge and skills are relevant to the work of the Scottish Fiscal Commission in reviewing and providing assurance over Scottish Government tax forecasts.
The political independence of CEA members is protected and fully respected – as Lady Rice and Professor Hughes Hallett articulated to the Committee in both their written evidence and during the respective hearings. The terms and conditions of membership of the CEA require members to declare to the Chair of the CEA as a potential conflict of interest any personal or business interests which may, or may be perceived to, influence their judgements in providing advice. In giving evidence to the Committee on 28 May, Lady Rice demonstrated that she and the Bank of England were satisfied with the procedures which the CEA put in place to address any actual or perceived conflict with her role on the Court.

As far as the bodies themselves are concerned, the roles of the Commission and the CEA are not in conflict. The Commission will be responsible for scrutinising forecasts of tax revenue prepared by the Scottish Government, and reporting the outcome of that scrutiny to the Scottish Parliament and to the public. This is essentially a technical endeavour, requiring knowledge of and skill in interpreting economic data and trends, and in probing economic assumptions and relationships. The CEA will not have a role in the forecasting process. Furthermore, nor will it, or the Commission, take a view on setting rates for the devolved taxes.

Having considered the issues raised by the Finance Committee, I would propose that members appointed to serve on the Commission, including the Chair, will be subject to a code of conduct in line with the Model Code of Conduct for Members of Devolved Public Bodies, which was approved by the Scottish Parliament in December 2013 and published in February 2014. Robust procedures and exacting requirements will be put in place to ensure that, were any conflict to arise (or be perceived to arise) in future, it is identified in a timely fashion and managed appropriately.

I fully agree with the Committee that, in addition to the Commission adopting working arrangements that demonstrate objectivity and impartiality, the independence of individual Commission members from Government and indeed from any other source of actual or perceived conflict of interest must be demonstrated and safeguarded. I trust that this letter provides the Committee with helpful further assurance, and explains adequately why I believe that no conflict of interest exists or could reasonably be perceived to exist in relation to CEA membership.

In addition to these issues, I take the view that the nominees are highly respected, skilled, and authoritative individuals who would bring a strong set of skills and experience to bear on the work of the Commission, giving its work credibility and authority. I also believe that the Committee shares the view that Lady Rice and Professors Leith and Hughes Hallett are eminently qualified for the proposed roles.

I would of course be very happy to discuss this matter further.
Members who would like a printed copy of this Numbered Report to be forwarded to them should give notice at the Document Supply Centre.