

HM Treasury - Areas of Research Interest

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ISBN 978-1-917151-40-5

PU 3448

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Foreword

In my capacity as Head of the Government Economic Service, I am acutely aware of the value of rigorous analysis in shaping economic policy. This publication reflects our commitment to harnessing the best available evidence from the widest possible array of thinkers. It is an invitation to the academic community to join us in addressing some of the most challenging economic questions of our time.

We face a variety of challenges and trade-offs. We are tasked with fostering growth while maintaining fiscal stability, reducing debt while investing in the future, and ensuring that economic prosperity reaches all corners of UK society. Moreover, we must do so within the context of a rapidly changing technological landscape, shifting trade patterns, and an ever-more pressing need to address environmental sustainability and climate change. Therefore, external engagement is not just beneficial; it is essential. Collaboration with scholars and policy experts brings fresh ideas and data, challenges our assumptions, and provides new insights that can help us navigate complexities in economic policymaking.

Our research questions both align with HM Treasury's objectives and link to HM Revenue and Customs research questions on tax. In posing these questions, we seek not only to understand the current economic landscape but also to anticipate future challenges and opportunities. Chief among them is the government's mission to drive economic growth. By enhancing productivity and living standards across the UK will place the public finances on a sustainable footing and bring the economic stability needed for the government to deliver for everyone.

This publication sets out the strategic questions which we expect to inform the government's policies in the coming years. We cannot do this alone. We are actively seeking your collaboration and input to ground our policy in the very latest research. By working together, we can ensure our policies are not only well-informed and robust but also innovative and forward-looking. We welcome your expertise and commitment to increase growth and build a stronger, more resilient economy for everyone.

Sam Beckett, HM Treasury Chief Economic Adviser, Second Permanent Secretary and Head of the Government Economic Service

Interpreting the ARI

HM Treasury's ARI sets out a range of priority and long-term research questions across the department's broad remit. Economic growth, which improves the prosperity and living standards of people across the regions and nations of the UK, is the central focus of the department. To deliver that, the department's work touches on everyone in the UK, covering public spending policy, financial services policy, including financial stability and strategic oversight of the UK tax system. The department also plays an important role on the international stage, including trade and customs policy, sanctions policy and cooperating with other countries in forums such as the G7, G20, IMF and others.

Given this, the ARI is organised around seven core themes:

- Growth
- Labour Market
- Financial Sector
- International
- Fiscal Policy
- Tax
- Public spending and public services

We have developed the ARI through extensive discussions with policy and analyst colleagues within the department. We have also worked with other government departments to identify areas of mutual interest and encourage researchers to engage with the ARIs and research documents of other departments and public bodies.

The result is a set of questions for the external research community which should generate answers of value to policymaking. Nevertheless, as the Treasury's evidence needs are constantly evolving the ARI does not represent an exhaustive or final list of research questions. It is intended to frame discussions, facilitate engagement and broaden the department's evidence base. We intend to review the ARI to reflect any shifts in departmental priorities and objectives.

The ARI sits alongside other important analytical publications and documents, including the department's [evaluation strategy](#) and our [research and statistics](#). The ARI is also just one part of our broader work engaging with external research partners.

Engaging with the ARI

We welcome your engagement with the ARI in the following ways:

- If you have new evidence that completely or partly answers one of our questions, or relates to HMT's areas of work more broadly, we invite you to share that.
- If you are, or plan to be, carrying our research relating to one of our questions, we would like to hear about it.
- If you are submitting a funding or grant application that aligns with one of our questions, we hope that referencing the HMT ARI will help strengthen your case for the possible public impact of the research.

For all engagement with HMT's ARI, please contact us at:

HMTresearch@hmtreasury.gov.uk

We will ensure that the evidence you submit reaches the right parts of the department for their consideration. Colleagues may also wish to follow-up with you if they have further questions.

Please note that we are not able to offer endorsement of funding or grant applications. The ARI is not an offer to collaborate with researchers on projects and we cannot respond to speculative approaches for research funding.

This document is part of our broader regular engagement between the department and the research community.

Areas of Research Interest

Alongside the detailed questions set out below, HM Treasury's research interests overlap in some areas with other organisations and departments. HM Treasury supports these Areas of Research Interest publications, for example the publication from HM Revenue and Customs given the degree of overlap on tax.

A list of Areas of Research Interest publications can be found on gov.uk here: [Areas of research interest - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/areas-of-research-interest).

The research agendas of other relevant authorities such as the Bank of England, can be found on their websites.

1. Growth

- 1.1 What are the productivity and growth impacts of previously announced and enacted policies? How can we improve the analytical frameworks used to assess their impacts?
- 1.2 Why have TFP growth and capital deepening reduced in the UK since the Global Financial Crisis?
- 1.3 What explains the longstanding productivity gaps with the UK's core comparator countries?
- 1.4 Why has growth slowed down particularly strongly after 2019?
- 1.5 What are the drivers of investment at the firm level, what is their relative importance and what could UK public policy focus on to increase investment?
- 1.6 What is the optimum balance of public and private financing of infrastructure?
- 1.7 How can public investment crowd-in more private finance?
- 1.8 What role, if any, do the UK's domestic savings have in supporting or constraining domestic investment, in a small open economy with access to global financial markets?
- 1.9 What are the impacts of input costs (like housing, and energy) on productivity and economic dynamism?
- 1.10 What are the reasons for the slowdown in economic dynamism in the UK (e.g. increasing productivity gaps between leaders and laggards and falling rates of reallocation such as job creation/destruction). What could be done to improve dynamism?

- 1.11 What are the potential productivity benefits from an increase in diffusion of technology and from AI? What is needed to boost technology and AI uptake?
- 1.12 What is the effect of the transition to Net Zero on productivity and growth – and how is this impact influenced by climate and wider policy levers?
- 1.13 What are the macroeconomic and fiscal impacts of climate damage in the UK?
- 1.14 What is the relationship between trade intensity, capital deepening, economic growth and productivity in different sectors and regions in the UK?
- 1.15 What policies and interventions would be most effective in driving regional and local economic growth, and how do these vary across places? How can we improve our understanding of the growth opportunities and barriers to investment across different locations across the UK?
- 1.16 How should we identify areas of current UK sectoral and technological strengths? How should this evolve as new sectors emerge?
- 1.17 What are the growth effects of spending on health and education?
- 1.18 What policies could improve the affordability of housing?
- 1.19 How can defence industrial policy and national security R&D deliver positive spillovers for other sectors and support growth in the wider economy?
- 1.20 What is the impact of income inequality and poverty on economic growth in the UK?
- 1.21 How can we improve our understanding of the short, medium and long term outlook using novel data sources and modelling techniques?
- 1.22 What impacts will demographic change have on UK economic growth and what policies can be enacted to mitigate these impacts?

2. Labour Market

- 2.1 What is driving the rise in health-related labour market inactivity? And what policies could be used to tackle this?
- 2.2 What is the impact of employer and wider labour market regulation on productivity and economic growth?
- 2.3 How effective are different (actual or potential) employment support policy interventions in supporting people to enter, remain and progress in work? How do those effects vary, for

example across individuals with different characteristics (e.g., education, age), or across locations?

- 2.4 How effective are different (actual or potential) policy interventions in increasing participation of women in the labour market and the representation of women in higher-paid occupations, sectors and levels of seniority?
- 2.5 How do financial incentives affect individual labour market decisions and how do these effects vary, for example across people with different characteristics, time and wider economic factors?
- 2.6 How do employment costs affect employers' decisions, including labour demand, pay and broader remuneration, and decisions on how to engage and structure their workforce? How do those effects vary, for example across firms and workers with different characteristics?
- 2.7 What are the impacts of Automatic Enrolment on outcomes such as wage growth, business investment and other savings levels?
- 2.8 How are resources and employment reallocated across sectors following different kinds of firm exits and what do these mechanisms mean for growth and productivity? What are the real-economy implications of company insolvencies, and what factors influence insolvency outcomes?
- 2.9 What is the role of human capital in improving growth rates? How important are different types of skills – basic, advanced and managerial, for example – on aggregate or for specific sectors or regions?
- 2.10 Why have rates of employer provided training fallen and what economic impact has this had?

3. Financial Sector

- 3.1 What is the role of the financial sector in driving economic growth both directly and through the real economy? How has this changed over time, may change in future, and how can this be best measured?
- 3.2 How can the financial sector best support the real economy, both locally in the places financial firms agglomerate, but also across the country? Are there ways in which the sector's support for the real economy could be improved?
- 3.3 What role does regulation play in affecting the balance between financial sector size, growth and stability?

- 3.4 What makes the UK financial services sector internationally competitive – including the role played by related professional services – and how can this be measured?
- 3.5 How is the impact on consumers and competition of different market structures in the financial sector best measured?
- 3.6 What are the key economic benefits to the UK of trade agreements that cover financial services?
- 3.7 What are the skills needs of a successful, internationally competitive, financial sector?
- 3.8 What are the opportunities and risks posed by new technologies to the financial sector? What are the barriers to adoption of new technologies?
- 3.9 How will demographic change affect the financial sector? And what impact will this have on the sectors' resilience and ability to support the real economy?
- 3.10 How can green finance and the UK financial sector support the transition to a low carbon economy and what are the risks to financial stability posed by climate change and threats to the natural world?
- 3.11 How is the global financial landscape likely to evolve in the context of global economic trends, including international financial infrastructure, cross-border capital flows, and the use of reserve currencies?
- 3.12 What is the relationship between increasing assets under management for defined contribution pension schemes and their level of productive finance investment (venture capital, private markets etc), and how much of this is UK-focused?
- 3.13 What risks do excessive leverage, maturity & liquidity mismatches, and concentrated positions currently pose to the financial system? Are there other risks that threaten financial stability?
- 3.14 How can risks to consumer confidence and broader public sentiment be proactively managed in times of financial market stress?

4. International

- 4.1 To what extent do trends in global trade and financial flows represent rising protectionism and economic security policies, versus other structural changes in the global economy?
- 4.2 How are multilateral financial flows (via international institutions) likely to evolve in the medium term, and what are the most

pertinent influences (including structural, geographic and technological) for these flows?

- 4.3 What are the latest changes in flows of multilateral, bilateral and private sector lending to sovereigns and what might be the implications of these changes?
- 4.4 How should the international financial institutions (in particular the IMF/MDBs) continue to evolve in the medium term to respond to structural and technological changes, and to best support the diverse needs of their memberships?
- 4.5 How will the future development of the European Union, including potential enlargement, affect its decision making, in particular the evolution of the single market, fiscal policies, and trade policies? What impact will this have on non-EU countries?
- 4.6 What is the impact and effectiveness of economic sanctions, on sanctions targets and the UK and global economy?
- 4.7 How can we value diplomacy and the economic benefits generated by diplomatic activities, both at the multilateral and bilateral level?
- 4.8 What are the global trends in tariff policy and how can tariff policy contribute to domestic and international objectives?
- 4.9 What would be the impact of increases in tariff/trade barriers between the US and other nations like the UK?
- 4.10 What is the impact of the use of large-scale modern industrial policies by major economies including the US, EU and China on the global economy, and on the UK?
- 4.11 How can we decompose the drivers in trends in trade volumes and prices, split by goods/services, exports/imports and trade with the EU/others?
- 4.12 What are the main policy lessons the UK can learn from other countries in achieving our macroeconomic and fiscal objectives - in particular improving productivity growth and labour force participation, and fiscal sustainability?
- 4.13 What are the main actions at an international level that can promote strong and sustainable medium-term economic growth, in the context of weaker productivity growth in advanced economies since the Global Financial Crisis?
- 4.14 What are the main global trends – and risks – likely to affect global growth, the labour market, and inequality over the next decade?
- 4.15 In the context of rising global debt levels, do advanced economies and emerging markets have the policy space necessary to respond to the fiscal and economic consequences of future shocks, and if not what actions should they take to build this capacity?

- 4.16 How can we better understand the implications for the economy and public finances of key global and domestic risks identified by the National Risk Register or the OBR, who regularly publish their assessment of fiscal risks and sustainability?
- 4.17 What is the potential impact of current and future geopolitical risks on supply chain resilience? Which sectors are most exposed? What actions does the UK need to take, potentially along with international partners, to boost supply chain resilience whilst maintaining the benefits of trade and financial openness given such risks?

5. Fiscal Policy

- 5.1 What is the relationship between fiscal sustainability and growth?
- 5.2 What is the best approach to making international fiscal comparisons, for instance on debt sustainability?
- 5.3 What is the relationship between borrowing and interest rates? And what does the empirical evidence show on the relationship between fiscal policy decisions and gilt yields?
- 5.4 What are the estimates and drivers for the natural rate of interest (r^*) and how can these inform fiscal judgements?
- 5.5 How might UK fiscal projections be shaped by long term factors (for example climate change and demography)?
- 5.6 How far does the size and shape of HMG's balance sheet influence long term interest rates and metrics of fiscal sustainability?
- 5.7 What is the relationship between government finances and a country's external finances, based on international experience?
- 5.8 What are the best ways of assessing and describing the combined impact of monetary and fiscal policy on the economy?
- 5.9 How much macroeconomic stabilisation is achieved through automatic stabilisers, and what are the key drivers of that dynamic?
- 5.10 What does the research literature tell us about an optimal strategy for debt issuance in the UK, and what are the practical implications?

6. Tax

HM Treasury supports the Areas of Research Interest publication from HM Revenue and Customs given our shared interest in tax related research.

- 6.1 How do thresholds and boundaries in the tax system influence taxpayer/business behaviour?
- 6.2 How do the incentives in the labour tax system influence taxpayer behaviour, and what is the economic cost of any relevant distortions? In particular, what are the latest estimates of fundamental elasticities such as labour demand, labour supply, etc, for different groups?
- 6.3 What role do headline tax rates (including the impacts of differing regional tax rates in devolved tax systems), reliefs, grants and tax system stability play in business investment decisions and economic growth, and what is the relative importance of each of these factors?
- 6.4 What is the impact of the property tax regime on economic growth?
- 6.5 Which countries have plans in place to maintain or replace tax revenues as sectors transition to net zero? What can the UK learn from international best practice?
- 6.6 What is the role of tax in incentivising emissions reductions?
- 6.7 What is the role of border adjustment mechanisms in preventing carbon leakage, and on the measurement and verification of embodied emissions in carbon-intensive goods? What are the wider macroeconomic impacts of such mechanisms?
- 6.8 How effective are tax reliefs at achieving their stated objectives? Are reliefs passed through where that was the intention? How effective are tax reliefs at achieving their stated objectives compared to other types of government support, and how is this assessed?
- 6.9 Estimates of the impact of public health taxes , such as the soft drinks industry levy, on social outcomes including health outcomes, in the UK and internationally?

7. Public Spending & Public Services

- 7.1 What roles are there for emerging technology, including AI, in developing, delivering and evaluating public policy? How can public services maximise these opportunities?
- 7.2 How effective are different business support levers i.e., tax reliefs, grants, and financial instruments, at achieving economic growth and productivity gains? How can we improve how we evaluate

business support policies and learn lessons from previous evaluations?

- 7.3 How can the collection of debts owed to government be fairly and sustainably optimised?
- 7.4 How can the government better understand the interactions between different areas of spending, for example between early years, health and welfare?
- 7.5 How have the drivers of welfare spending (e.g. demographics, health, employment rates) changed, and how are they likely to change, over time? How do these interact with other areas of government policy?
- 7.6 What funding and powers should we devolve to empower local leaders to provide stronger place-based leadership, and what other reforms are needed to support the sustainability of local government finances? How can this spending be better directed to encourage regional economic growth?
- 7.7 How can we increase productivity within public services and improve outcomes for service users, including through a stronger focus on prevention?
- 7.8 How can we make better use of analysis to improve our understanding of the impacts (including the long-term impacts) of tax, welfare, and public service spending decisions across the population, including groups with protected characteristics?
- 7.9 How do we identify the most effective areas of preventative spending? What do other countries do?
- 7.10 How are the factors affecting financial adequacy in retirement changing over time?
- 7.11 To what extent does more certainty in future Departmental budgets lead to better outcomes?
- 7.12 How can public spending decisions and supporting mechanisms better reflect variability in potential outcomes?
- 7.13 How is financial management most effectively embedded in decision-making? How can technology help to improve this?
- 7.14 What are the potential costs and benefits of expanding or of contracting the public sector?
- 7.15 How are the risks of fraud and error in the public sector changing? How can they most effectively be addressed?
- 7.16 How can organisations best utilise horizon scanning and futures techniques to improve organisational decision-making and performance?
- 7.17 How can organisations, with a particular focus on public bodies, most effectively learn lessons from (i) crisis response; and (ii) systemic policy problems; and address them?

- 7.18 What are examples of innovation in policymaking practice?
What can we learn from other countries and the private sector?
- 7.19 Where has citizen engagement in policymaking worked well
and what key lessons can we take from this?
- 7.20 How effective is spending through financial benefits
compared to service provision in supporting different groups of
people?

Contact HMT

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