

## All Party Parliamentary Group on Social Science and Policy

# MINUTES OF MEETING

Meetings held on 4 March 2024

**Present:** Sir Peter Bottomley (Chair), Daniel Zeichner (Chair) and Ian Blackford (Chair), Nia Griffith MP, John McDonnell MP, Christina Rees MP, Jane Hunt MP, David Davis MP, Harriet Baldwin MP, Alun Cairns MP, John Penrose MP, Tim Loughton MP, Philip Dunne MP, Alison Thewliss MP, Peter Grant MP, Stephen Farry MP, Baroness Anne McIntosh, Lord Jo Johnson, Lord David Lipsey, Lord Larry Whitty, Lord Steward Wood, Lord Bryn Davies, Lord John Hendy, Baroness Claire Tyler, Baroness Natalie Bennett, Joe Lewis (on behalf of Judith Cummins MP), Joshua Goldman (with Nia Griffith MP), Emma Hartly (on behalf of Joanna Cherry KC MP), Thomas Bunting, Greta Isola (on behalf of Pete Wishart MP), Ewan Boyle and Mhairi Love (with Alison Thewliss MP), Stian Westlake ESRC, Liz Adams ESRC, Roberta Blackman Woods Palace Yard, Natascha Engel Palace Yard.

**Speaking:** Paul Johnson, Director (IFS).

There were three separate briefings by party in which Paul Johnson, Director of the Institute for Fiscal Studies, spoke to his slide deck (attached) covering the following topics:

### Growth

Paul Johnson explained that the UK was in a 'technical recession' caused by stalled growth in the previous two quarters but that GDP per head has in fact been worsening since 2022. Significant population increases combined with stalled growth has meant that the UK has effectively been in recession on a per capita basis for two years. He added that in terms of income per person we will likely be no better off at the end of the parliament than we were at the beginning. Household disposable incomes will almost certainly be lower than they were in the 2019 election.

## **Public finances**

Paul Johnson said that borrowing was £10 billion down on forecasts made in November 2023 but was £63 billion more than forecasts two years ago – and that debt was higher than at any time since the early 1960s.

A quarter of the UK's borrowing is index-linked rather than on a fixed rate. This means that inflation adds to the cost. A large fraction is also held by the Bank of England and so interest payments vary with the bank base rate.

The result is that debt interest payments are at record levels. Spending on debt interest is now 4% of national income – double the average of the 2010s – amounting to £50bn or £60bn more than we had been used to.

## **The Chancellor's fiscal rule**

Paul Johnson explained Jeremy Hunt's five-year fiscal rule: as a proportion of GDP, the level of the national debt in 2029 should be lower than in 2028 and said that this was not sensible as it is almost impossible to predict growth, inflation and interest rates over a five-year period. Any small movement in any of those factors will tip the outcomes one way or the other by tens of billions.

## **Public spending**

All the Chancellor's forecasts are predicated on current public service spending rising by 0.9% a year from April 2025. Given reasonable assumptions about what is likely to happen to spending on health, defence and one or two other protected areas, this would mean cuts of around £20 billion across other areas of public service spending, for example, local government, justice and social care.

## Tax

Paul Johnson said that the tax burden was at a record high having risen by £66bn over the course of the parliament. This has been driven especially by freezes to income tax allowance and thresholds which will amount to a £40 billion tax increase by the time the freeze is due to end in 2027-28.

Paul Johnson answered questions from parliamentarians.

Date of next meeting: **Tuesday 16 April 10am** on the topic '**UK migration: understanding the data**'. The speakers will be Jay Lindop from the Office of National Statistics, Madeleine Sumption from the Oxford Migration Observatory and Sunder Katwala from British Future.