

NI Economy goes 'Back to the Future'?

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Parallels with the 1980s have continued to abound since I made comparisons between present events and that decade in last month's column. Portugal, for instance, has since succumbed to the inevitable bail-out and will require assistance from the IMF as it did in 1983. Man City has made it to its first FA Cup final since 1981.

One of the best known films of the 1980s was 'Back to the Future', in which Marty McFly accidentally gets transported back 30 years in Doc Brown's time machine, and the challenge for Marty and the Doc is to get back to where they started. Here, there are some interesting parallels with the Northern Ireland economy.

Marty (McGuinness) and the Doc (Paisley) became First and deputy First Minister in 2007 and their first Programme for Government was chosen as the vehicle to take Northern Ireland into the future. But through no fault of theirs, the economy, in many respects, now finds itself back in time.

Since 2007, we've had our first recession since the 1980s. Private sector output is back to 2003 levels. The *Business Services and Finance sector* has witnessed a 40% peak to trough fall in output. There has been a 60% peak to trough fall in house-building; back to 1994 levels. The labour market has also gone back in time, with around 45-50k jobs having been lost in 2½ years. Meanwhile, the dole queue is back at levels that pre-date the signing of the Good Friday Agreement.

The challenge for the incoming Northern Ireland Executive is therefore to choose a vehicle to get the economy 'back to the future' – i.e. back to where it was in 2007. But, quite simply, this will be a long, hard slog and will not be completed in the next assembly term. Restoring the lost output and jobs from the downturn will take the best part of a decade. However, actions taken in the next four years will be very important.

In this respect, the last four years and the next should be like night and day with regard to fiscal austerity. Economies elsewhere are openly embracing unpopular but unavoidable policies. We too are entering the unpopular policy era, although a quick glance at the various parties' manifestos might make it seem otherwise. Unpopular policies remain conspicuous by their absence. In this respect, if there was an 'Economists' Party' standing in this Assembly Election, its manifesto would certainly look somewhat different from the others. What key issues might it look at?

During the period between the signing of the GFA and the start of the downturn, around 26,000 public sector jobs were created. This is equivalent to a town the size of Newry in just 10 years. It needs to be ascertained exactly where all of these jobs were created. Were they frontline or back office? How many were really needed and can be afforded? Pay flexibility should also be looked at, not least because the scale of public sector job losses could be limited as a result. This political hot potato, which is of huge significance in terms of public expenditure and rebalancing the economy, will come to a head between the executive and the unions during the next term.

It doesn't take a rocket scientist like Doc Brown to realise that radical cost reductions and revenue generation are required. However, in the main, the headline pledges in the manifestos are based on securing and extending existing public expenditure commitments or delivering efficiency savings that were announced previously but not delivered. How will this be reconciled?

We have become overly familiar with the phrase 'the economy is the number one priority'. However, are we sure what it actually means in real terms? In effect, it has become all things to all people - open to

interpretation, pleasing everyone and threatening no one. This is highlighted with the frequently cited view that the public sector is not too large, it is the private sector that is too small. This might be a bit like the health minister saying that there is no obesity problem; it's just that some of us are big boned and everyone else is too skinny. During the forthcoming term, this mindset has to change. A spade has to be called a spade.

We will soon begin to see what having the economy as the number one priority looks like. More importantly, what sort of 'economy' will the incoming Executive have in mind? Will the sort of economy in which privatisation and profits are seen as dirty words and unequal pay for unequal productivity is scorned be the priority? Or will the priority be an economy where the private sector is prioritised and the public sector streamlined?

Thankfully, while the economy has gone back in time, politically, huge strides forward have been taken since the 1980s, which is important from all perspectives, including the economy's. As a result, Northern Ireland is almost unrecognisable as a place to live, work and visit. However, the key is to translate this progressive political approach into the economic policy sphere. If the incoming Executive could jump in a time machine and go 40 years forward to see the consequences of its actions, or inactions, I'm certain it wouldn't hold back from making the tough choices that our economy currently absolutely needs.

Richard Ramsey,
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