

North's economy needs a Good Friday-style deal

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People across Europe are taking to the streets for cultural reasons throughout the summer, with Pamplona's Bull Run and Valencia's La Tomatina, the world's biggest tomato fight, in Spain, and the Bastille Day celebrations in France, amongst the most famous of these events. However, Europeans have also been taking to the streets for economic reasons of late, as they struggle to come to terms with new fiscal realities.

Demonstrations of culture, of course, are well talked about in Northern Ireland during the summer months, and we are certainly all used to demonstrations of a political nature from our recent history, with some of last week's examples a very much unwanted throw-back.

But it is the economic variety that could be making the news here in the not too distant future. In reality, economics is now very much to the fore in Northern Ireland, whether we like it or not, with significant fiscal challenges set to bear down on our lives. Our politicians, who have made substantial political progress over the last 15 years or so, now need to shift their energies towards making progress on the economic front.

In this respect, inspiration can be gained and lessons learned from political successes. After all, Northern Ireland's political peace process is held up around the world as a model for conflict resolution. But, as there was always resistance to political developments, issues pertaining to the economy and the public finances are currently something of a discomfort zone for our political classes. Will Northern Ireland be held up as a model for regional economic development in 15-20 years time?

Just as they 'did the business' on the political front, local politicians will have to quickly do likewise in the economic and public finance arena, and they'll have to rapidly communicate and 'sell' this - and the unpopular messages associated with it - to the electorate, just like they did with political agreements. The Good Friday Agreement was a landmark political development, endorsed by most of the political parties and the people of Northern Ireland, and the recent Hillsborough Agreement enabled the devolution of policing and justice powers – the final part of the jigsaw - to take place. So with this political vision delivered, what lessons can be learned and applied to delivering a transformational economic vision for Northern Ireland that is met with consensus rather than demonstration and resistance?

Just like on the political front over the years, economic development in Northern Ireland has, in many respects, been stuck in a 'talks about talks' phase. This is particularly apparent when looking at public sector reform, with reducing the number of councils for example recently kicked into the long grass after seemingly endless discussions.

When progress stalled in the peace process, we were able to attract political fixers, advisers and experts from around the world such as Downing Street's Jonathan Powell and Senator George Mitchell to keep the process moving forward.

Northern Ireland should also tap into the international goodwill that exists to attract expertise and advisers in the economic development and public sector reform arenas. Arguably, parachuting public sector reformers and seasoned 'economic interlocuters' into various parts of the day-to-day machinery of government could be the best inward investment the economy makes. Political, rather than economic, advisers alone will not solve the Executive's economic problems as you just simply cannot spin fiscal austerity.

Northern Ireland should also look to establish a Historical Economic Enquiries Team to deal once and for all with some of the unsolved economic problems that have long impacted Northern Ireland and which various economic initiatives and reports have failed to adequately address.

Seamus Mallon famously remarked that the Good Friday Agreement was 'Sunningdale for slow learners'. Recent reports such as the Barnett and Varney Reviews, although valuable to the economic debate, have largely identified problems and solutions that have been discussed for the last 15-20 years but not fully implemented. In this sense, some people might say they are economic development strategies for slow learners.

In terms of the substance of an economic agreement, just as human rights were a key part of the political agreement, Northern Ireland must establish a set of new economic rights which are affordable, realistic and fair, and promote economic development. In many respects, the current contract of entitlement represents the very antithesis of these principles, and The Executive has to burst the over-inflated entitlement bubble.

Part of this will require decommissioning the current mindset that exists, which has previously been described as Northern Ireland's '*fiscal deficit attention disorder*', with a lack of appreciation of public finances fuelling unrealistic expectations of what can be afforded and how far revenues can be stretched.

Drawing another parallel with the peace process, Northern Ireland needs to look at altering some of the traditional routes of public expenditure that have become contentious. In other words, we need to examine closely how we spend public money. Concerned business groups for example have been calling for public expenditure to be re-routed away from areas that do not support economic development or represent poor value for money.

Furthermore they are demanding faster and deeper public sector reform - just as the dismantling of some of the physical legacies of Northern Ireland's past was seen as an important part of the peace process, the argument is that Northern Ireland now needs to accelerate the dismantling or reshaping some of its overly bureaucratic structures that were seen as acceptable in years gone by but are now unaffordable and in many cases are an obstacle to the economic development process. However, whilst some politicians claimed that securocrats stood in the way of political progress, some people now fear that 'job securocrats' stand in the way of much needed economic and public sector reform. Economic conditions have changed markedly in recent years and the job security situation needs to be adjusted to reflect this. While it is financially in the interests of the 'job securocrats' to maintain the status quo, it is not in the wider interests of the economy or the public finances.

Arguably the biggest political achievement was getting agreement on key issues that were unpalatable for both sides of the community. Furthermore, this put aside the interests of certain sections for the greater political development of Northern Ireland as a whole. There are clear lessons here for the fiscal environment, with the need to balance austerity across a range of interests, and to

gain agreement for certain decisions amongst particular sections of the economy. However, this must take place within the uncomfortable parameters dictated by the state of the public finances.

Northern Ireland's economy is currently unbalanced between the public and private sectors and concessions and confidence building measures need to take place as part of the process of addressing this. On one side of the economy, the public sector, many currently enjoy better terms and conditions than their private sector counterparts, and concessions need to be made here. The private sector has already suffered significantly, and there can be no hierarchy of economic victims in a credible plan for the economy's future.

The existing concessions, or incentives, to grow the private sector are currently broken and need fixed. This should all be part of a wider economic equality agenda that rewards work and provides equal pay for equal productivity. With the forthcoming public expenditure cuts, there does, however, need to be a hierarchy in terms of which areas of public expenditure receive the deepest cuts. Clearly, cuts should be concentrated on the least valuable (non-frontline), least productive areas of the public sector - it is vital that the Executive does not ring-fence waste and inefficiency wherever it happens to lie.

As part of the political transformation of Northern Ireland, the controversial 50:50 recruitment policy sought to rebalance policing to better reflect the religious make-up of the community, and, no matter what you think of it, this was a region-specific solution to a region-specific issue. In order to rebalance the economy, Northern Ireland needs to look at identifying and implementing more tailored solutions to problems that are more pronounced in Northern Ireland than elsewhere. This should look at adjusting Northern Ireland's 'fiscal constitutional status', resulting in enhanced fiscal flexibility in terms of regional public sector pay, a regional minimum wage, regional benefits levels and regional business incentives such as lower corporation tax and extended national insurance holidays for start-ups.

Doing all of this will ensure that the economy is the Executive's number one priority in practice. But, just as our politicians slip back into traditional political mode in the run up to elections, there is also the risk that an economic vacuum will develop, whereby the good work being done in the economic arena is jeopardised in the competition for votes. This is particularly the case because, unlike with the Good Friday Agreement, those advocating radical economic change are currently in the minority. Therefore the danger is that the economic reform rejectionists who want to keep the economy in the past and protect the status quo could win the electoral battle but lose the economic war.

It is essential that the forthcoming public expenditure cuts and tax rises don't turn into Northern Ireland's biggest tomato throwing fight, but rather, an economic consensus is built and a new Good Friday-style economic agreement is fashioned and sold to the electorate.

This is perhaps no time for economic sound bites, but I can't help feeling that the hand of economic history is on our shoulders. I will certainly be supporting the Yes campaign. Will you?

Richard Ramsey

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