

Ding, ding! Seconds out. It's budgetary round four

Contact: Richard Ramsey
Chief Economist, Northern Ireland
02890 276354 or 07881 930955

richard.ramsey@ulsterbankcm.com

www.ulsterbank.com/economics

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Last week marked the 20th anniversary of the most epic boxing fight in my living memory – the first fight between Nigel Benn and Chris Eubank. Unlike many encounters, it actually lived up to its pre-fight hype.

More seasoned readers will recall other contests that have met or exceeded their high expectations, including Muhammad Ali's and George Foreman's legendary *Rumble in the Jungle* (1974), which marked the flamboyant Don King's first venture as a professional boxing promoter.

Closer to home, boxing has also provided some great moments, with world champions Barry McGuigan and Dave 'Boy' McAuley providing a distraction from the challenging economic backdrop of the 1980s through their success. More recently, the Northern Ireland boxing team did something similar at the Commonwealth Games – in Delhi / Londondelhi.

Meanwhile, our construction industry has faced the toughest and most talked about 'fight' of any sector of our economy. Whilst it certainly doesn't suffer from a glass jaw, it has received an unprecedented combination of punches since 2007.

Initially it was hit by a record property boom and bust, and since then, having already received a standing count, the sector has been propped up by record levels of capital investment. So far, construction output and employment have fallen by over 25% from their peaks. It is fair to say that our construction sector is on the ropes and the industry's corner-men will find it difficult to stem the tide of job losses as a series of capital investment cuts begin to 'open up'. Domestic water charging is one way in which revenue could be generated to provide smelling salts to help revive the sector.

A key feature of the boxing world is the idea of a 'rematch'. Not only does this provide the loser with an opportunity to level the score, but it can also be a money-spinner for boxers and promoters alike, particularly if the first fight was a success.

But boxing rematches more often than not fail to live up to the original contest. Eubank v Benn II failed to fully capture the electrically charged atmosphere of the first bout. Similarly, boxing legend Roberto Duran went from hero to zero in just five months - after defeating boxing great, Sugar Ray Leonard, in the *Brawl in Montreal* in June 1980, the rematch was a massive disappointment. In the closing seconds of the eighth round, Duran turned to the referee and declared – 'no mas' (*no more*). Effectively Duran threw in the towel himself in what became known as the 'No mas fight'. From a spectator's and a promoter's perspective, the fight over-promised and under-delivered on a huge scale.

Traditionally, in dealing with difficult 'opponents', Northern Ireland's economic development strategies have whipped up expectations but have failed to live up to their billing. One notable exception, however, has been the economic regeneration undertaken by the Laganside Corporation, which is perhaps the most notable home-grown strategy that has delivered on its promises. The challenge for all of us is to replicate this success in a much wider economic strategy.

One recent much hyped event that didn't pull many punches, as far as the construction industry is concerned, was last month's Spending Review. It has dealt the fiscal equivalent of a 'haymaker' to the sector. As a result, capital investment is set to fall by over 50% from last year's peak. Instead of reaching £2bn per annum, as indicated in ISNI II, just £1bn is expected from 2013/14. Once again, in strategy terms, this represents over-promising and under-delivery on a massive scale. Guessing the likely impact would represent the easiest question on the *Question of Sport's* 'What happened next round?'

Indeed, such is the concern, it has already had our political heavyweights jumping up from their ringside seats claiming this is an unacceptable punch below the belt. Furthermore, they argue it wouldn't be in keeping with the Marquess of Queensberry rules, given what is supposed to have been agreed at St Andrews in 2006, whereby £18bn of capital investment would be guaranteed for Northern Ireland up to 2018.

Now, many construction firms might be heard muttering Duran's words 'no mas', tempted to throw in the towel. Their expectations for the next sequel – *ISNI III* – are now extremely low. It remains to be seen what creative fiscal thinking the Executive can come up with to stop the construction sector haemorrhaging jobs. Their only hope is, like Duran, the industry will return to future glories after sustaining a heavy defeat.

Northern Ireland's economic stakeholders would do well to follow the motto of former New York Mayor – Rudy Giuliani – '*under-promise and over-deliver*'. To date, NI's economic development strategies have invariably done the opposite. Perhaps they could be described as more Don King than Mervyn King? Too much focus on presentation and promises, with a long list of challenging targets and not enough economic rigour and credibility regarding how these promises will be met and difficult issues tackled. Furthermore, little attention is paid to learning the lessons from prequels.

The Programme for Government is also susceptible to some criticism of over-promising and under-delivering, particularly in relation to key goals of narrowing the productivity gap, increasing the employment rate and delivering infrastructure investment. The recession certainly hasn't helped, but policy tools to deliver these promises were notable by their absence.

Mervyn King recently highlighted the need for genuine reform in the international banking system, saying: "*Concrete steps to reduce the scale of global imbalances have, to date, been notable in their absence. Smiling family photographs marking the attendance at international gatherings are no substitute for specific actions. Still, the G20 has laid its reputation on the line. It will be damaged if the framework comes to nought.*"

Northern Ireland's reputation is also on the line regarding its strategies aimed at '*Rebalancing the Economy*'. It needs a radical, concrete response and needs to avoid focusing too much on the presentational approach that King was referring to.

Celebrating success must be accompanied by aggressively tackling failure. Economic failings are too often brushed under the carpet. Talking up the economy and ignoring uncomfortable issues, can also be damaging as it plays down the need for radical action.

The Executive urgently requires a radical response to the twin challenges of rebalancing the economy and delivering fiscal austerity. It will not be saved by the bell and throwing in the towel is not an option. There is no substitute for some long, hard, painful work in the gym (behind closed doors) and clocking up the miles on the road.

All rematches offer the opportunity to undo the defeats and underperformance of the past. Thankfully, the next economic strategy sequel seeking to rebalance the economy provides the perfect opportunity to do just that. Already, it is guaranteed to be more Mervyn King than Don King with the Governor's MPC colleague, Kate Barker, chairing the DETI-led strategy committee. If the strategy is to be billed as "*Rebalancing the Economy II*" it must be better than the pre-Executive original, credible and include those unpopular policies that will rebalance the economy in a meaningful way.

Key strands that it must include are: firstly, looking at swapping existing expenditure for incentives (*e.g. corporation tax*); secondly, developing a public sector pay & staffing structure that supports a rebalancing of the economy and rewards productivity; and thirdly, drawing up a list of bodies and functions that can be privatised and outsourced to the private sector.

Previous strategies have lacked these elements but have strangely still been deemed '*Rebalancing the Economy*' strategies. Failure to consider privatisations / outsourcing and maintaining the public sector pay and employment structure status quo is the equivalent of putting a boxer in the ring and tying one of his hands behind his back. It is not surprising you get an unbalanced contest and never win.

What is striking about all epic boxing contests is that each boxer gives 100% and demonstrates a hunger to win by throwing everything they have at their opponent. Northern Ireland must do likewise and throw absolutely everything in its armoury to rebalance its economy. We can be rest assured that none of our economic competitors will do any less. Indeed, the RoI is fighting tooth and nail to retain its WBC belt (*12.5% corporation tax rate*) in the face of pressure from its eurozone challengers. We need to show the same fight to gain such a prize.

Encouragingly, not all rematches have failed to live up to their billing, with the *Thrilla in Manila* (Muhammad Ali v Joe Frazier III) a case in point. Despite all the hype, pomp and ceremony of the pre-fight build-up, the contest delivered what the audience expected and promoters promised. Indeed, some 35 years on, the fight is deemed to be the greatest boxing match of all time. Our past experience of economic strategies that over-promised and under-delivered does not mean that "*Rebalancing the Economy II*" the sequel has to be the same.

On the budgetary front, 2010 has been a year of perpetually waiting for the next budget. We have had the March Budget, the Emergency Budget and last month's Spending Review. Regarding the latter, George Osborne has said 'no mas' to real terms public expenditure growth. Now, the electorate eagerly awaits Budgetary Round 4 - the Executive's budget for the next four years. Despite the fact that the economy has become '*Top Bill on the Hill*' the crowd is growing impatient by the efforts to rebalance the economy and deliver fiscal austerity thus far. Let's hope we see the real deal and don't have to watch a shadow boxing contest until the Assembly elections take place.

Almost 40 years on from the *Fight of the Century* (Ali v Frazier I) and two decades since Benn v Eubank I, our Executive is set to enter the political ring for what could be dubbed the *Fiscal & Economic Fight of the Century 2011*. As our elected representatives climb the steps to Parliament Buildings let's hope their anthem is the motivational Rocky theme tune and not the '*Self-Preservation Society*' from the *Italian Job*. It needs to live up to the hype and not be an overly defensive bout. As Abraham Lincoln, who successfully led America through the civil war - its big internal fight, famously said: '*You cannot escape the responsibility of tomorrow by evading it today*'.

Richard Ramsey
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