

## RMS Economic hit but not sunk

Contact: Richard Ramsey  
Group Economics  
02890 276354

[Richard.ramsey@ulsterbankcm.com](mailto:Richard.ramsey@ulsterbankcm.com)

[www.ulsterbank.com/economics](http://www.ulsterbank.com/economics)

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In 1909, global competition in maritime circles was fierce between two companies Cunard and the White Star Line. The latter, with the aid of US investment, commissioned Belfast's Harland & Wolff to build the world's largest passenger steamship, the *RMS Titanic*. The liner was designed to compete with Cunard's *Lusitania* and *Mauretania*. Alongside European and American vessels, these ships competed for the Blue Riband title, which was awarded to the passenger liner crossing the Atlantic with the record highest average speed.

On the 14 April 1912, *Titanic*, which was the pride of Belfast, hit an iceberg and sunk on its maiden voyage. The ship had some of the most advanced technology of the time. However, it was not technology that let the ship down but a combination of factors which included: - freak environmental conditions, communication problems and a simple failing that was taken for granted – the rivets proved to be defective. Prior to the *Titanic*'s ill-fated voyage, Captain Edward Smith said that he could not think of an accident that would sink the ship.

Similarly, economists and government alike could not think of a set of circumstances which would tip the Northern Ireland economy into recession. After all, with a huge public sector, the belief prevailed that the economy was recession-proof. This was founded on NI's ability to withstand the last British recession. Should the economy encounter stormy economic conditions again, the assumption was that history would simply repeat itself. However, the combination of a freak housing boom and bust alongside unprecedented external economic conditions has now confined this view to the history books.

Traditionally, economic development did not feature high on the list of NI's political priorities. Fortunately, this all changed when the Executive made the economy its No.1 priority in its Programme for Government. The Executive launched *RMS Economic* on its maiden voyage. This was not just a re-branding exercise of an old ship. Instead, it represented an important first step in tackling NI's long-term challenges and modernising the vessel with the aim of competing successfully on the world's main shipping routes. A new economic destination was set with the overarching aim of narrowing the productivity gap with other British regions.

In recent decades, *SS Celtic Tiger* was the proud holder of the Blue Riband award for the fastest economic growth. Its economic design and low corporation tax were admired and copied by shipyards the world over in a bid to emulate its success. Relative to most other ships, *RMS Economic* sacrificed speed for stability. Its large public sector was a hindrance to rapid economic growth but provided much needed stability in choppy waters. The challenge was to rebalance the design of the ship over time with more emphasis on speed (*developing the private sector*). Like the White Star Line, a key strand of the Executive's plan was to lever in US investment, particularly in the area of financial services to maximise future growth potential.

On 14 April 1912, the US steamer *Amerika* warned of icebergs on *Titanic*'s shipping route. The fact that these had drifted so far south was reckoned to be a once in a hundred year event. In 2007, the US warned other economies that large financial and economic icebergs lay ahead. The fall in US house prices started to reveal the tip of a huge financial iceberg the credit crunch. All economies, including NI, have since sailed straight into it.

Following the initial impact, it was believed that the damage on *RMS Economic* was relatively minor. However, the compartment containing the property sector had been overheating for quite some time and the pressure from this, alongside the collision, ripped a hole in *RMS Economic* below the waterline. This was apparent to all workers in the house-building / property compartment but it was not visible to those on the bridge. Flooding in the housing sector quickly spread into construction and over the bulk heads into private sector services. Casualties, in terms of the numbers of unemployed rose rapidly.

But these developments were not effectively communicated to the bridge. The ship's officers lacked this critical management information and analysis. After all, the dials in the bridge were still indicating that unemployment was low and rising modestly, capital investment was at record highs, and exports were unaffected. The distress in the property compartment was not giving cause for alarm as the sector was not deemed high-tech, it was predominantly low skilled and was neither export nor R&D intensive. Critically though it was labour intensive.

The most significant factor behind the sinking of the *Titanic* was the failure of the rivets. These were vital as they held the ship together and their failure proved catastrophic. In a similar vein, NI's house-building and construction industry was taken for granted as a provider of a base level of economic growth. However, the potential destabilising influence that a failure in this sector could have on other compartments and the ship as a whole was not fully appreciated and in employment terms has proved catastrophic.

Meanwhile, the wider economic conditions, such as global demand, deteriorated markedly to create a perfect storm. This damaged the manufacturing compartment in Q4 2008 leaving the bridge and the public sector as the only sections of *RMS Economic* currently above the waterline.

There are not enough lifeboats on *RMS Economic* for all of the crew and passengers to escape the recession. As with the *Titanic*, the casualties are predominantly male with 80% of the increase in the unemployed over the last year attributed to males. Assistance has been sought from *Economic's* larger sister ship *RMS Britannic*, but it too, like other nearby ships, is experiencing difficulties and taking in water fast. Therefore it is up to the crew and passengers of *RMS Economic* to save the ship and stop it, and the Executive's number-one priority, from sinking.

The best way to do this is to redirect as much resources as possible to pump water out of the construction compartment. This will help to minimise the number of casualties as construction has been the primary driver in swelling the ranks of the unemployed. Salvaging the manufacturing sector is more difficult. Selective support for key firms which have a long-term future, but might otherwise be lost, is required.

In the longer-term, when *RMS Economic* is eventually returned to port, its owners must quickly modernise the vessel. The waters will then be less turbulent and a faster, more advanced, *RMS Economic* must emerge to ensure we aren't left in the wake of the competition.

Richard Ramsey  
NI Economist  
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