

“A 1998 Analysis of the Assembly’s Economic Agenda: Looking back with a view to the Future”

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Introduction and Aim

*Provide retrospective evaluation of an analysis of the Assembly’s potential economic agenda published in 1998. And then look at next 25 years. Using the article E. Birnie and D.M.W.N. Hitchens 1998, “An economic agenda for the Northern Ireland Assembly”, *Regional Studies*, vol. 32, no. 8, pp. 769-787.*

Devolution’s impact on economic policy making

- Was the 1921-72 precedent. Disappointing in the 1930s, but more active in the 1960s. Certainly, lacking fiscal power (Wilson, 1955, Gibson, 1996).
- In 1998 prospect of (indirect) devolution benefits from stronger civic society/more trust etc., e.g. higher investment, reduced emigration and (possibly) higher numbers in HE.
- But that (partly) was to assume devolution *would* achieve greater political stability.

Specific points/”predictions” in the 1998 article

1. Peace NOT a sufficient condition for an economic upsurge

1998-2023 confirmed this. This reflects the fact that the competitiveness problem long pre-dates the Troubles etc. Some indirect benefits of “peace”/greater stability were achieved but hard to disentangle from what might have happened anyway. Sometime the 1998-2023 trends may have started before 1998, e.g. NI’s GDP growth during 1989-96 > UK average.

2. NI needed to transition away from (environmental) “toxic trade off”. This difficult to implement

UUEPC data for late 2010s show NI better than European average in terms of CO2 p.p and declines, but high % (imported) oil. The difficulties around achieving the Climate Change Act. At least 3 difficult questions ahead: (1.) how far subsidise farming (2.) size of farming output (hence methane etc.) (3.) Have the net zero target but does anyone know how it will be funded?

3. Importance of NI’s relationship North-South and with EU

1998 article (correctly) highlighted the coming challenge of European Monetary Union/Euro. Notwithstanding much criticism at the time (especially in NI) the UK decision (Gordon Brown/Ed Balls) to stay out of the Euro was the right decision. Did not anticipate the 2016 Referendum!

4. Equality-efficiency (growth) trade-off would be challenging

Idea of equality-growth trade-off is disputed (IMF, the Nordics, Pickett and Wilkinson's *Spirit Level*.) But probably trade-offs in short run. Invest NI re. (US origin) service-related inward investment exploiting agglomeration economies, i.e. come to greater Belfast (population & graduates), but how can that be squared with repeated Executive statement's about "sub-regional balance"?

5. Relatively high public spending: blessing *and* bane

Benefit in terms of demand levels in regional economy. But downside encouraging dependency and lower quality decision making in private and public sectors. Did not anticipate:

- Repeated financial packages and hence moral hazard (the same applies to any package to incentivise a return to Stormont in 2023).
- "Free money" mentality and, of course, RHI!
- Eventually the Barnett Squeeze began to bite. Most of 1998-2023 NI spending per capita >> England but that % difference now dropping quite rapidly.

6. Industrial/Economic Strategies would stress competitiveness improvements, but real change would be elusive

They did stress competitiveness: 1999 *Strategy 2010*; 2013 Executive Economic *Strategy*; 2017 draft Industrial *Strategy* and 2021 *10X*. Overall improvement, e.g. in terms of productivity, remained limited.

Conclusions

- The 1998 Agreement not primarily about economics.
- Economics will play a much bigger role in the next 25 years. WHY is this:
- Budget constraints tighter (UK pressures).
- Budget constraints tighter (Barnett Squeeze).
- NI clearly falling behind.
- **What then should be done:**
 - Instead of very complex Programmes of Government etc., with dozens of indicators and little sense of trade-offs, concentrate on a handful of key targets.
 - Develop and use NI's capacity to have meaningful discussion about (difficult) policy choices. We need not just capacity but permission. Need to recognise the power of vested interests.
 - Whilst we should be grateful of outside help, stop running to outside influencers, decisions (and responsibility) sometimes have to be taken here in NI. This is cutting across the grain of decades of political practice: London and Dublin treated as joint guarantors, the EU now our rule-setter and the US Administration thinks it has a massive role in explaining inward investment flows. 1970s-80s NI may have been a financially dependent region. The danger now is that we are (also) a policy-dependent region.



Northern Ireland
Assembly

25 YEARS A New Beginning