



Northern Ireland
Assembly

25 YEARS

A New Beginning



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

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31 March 2023

Introduction

- **Aim:** *Provide retrospective evaluation of an analysis of the Assembly's potential economic agenda published in 1998. Then look at next 25 years.*
- That 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

Our 1998 article considered whether devolution would improve economic policy making?

Different from question whether devolution is politically a good thing.

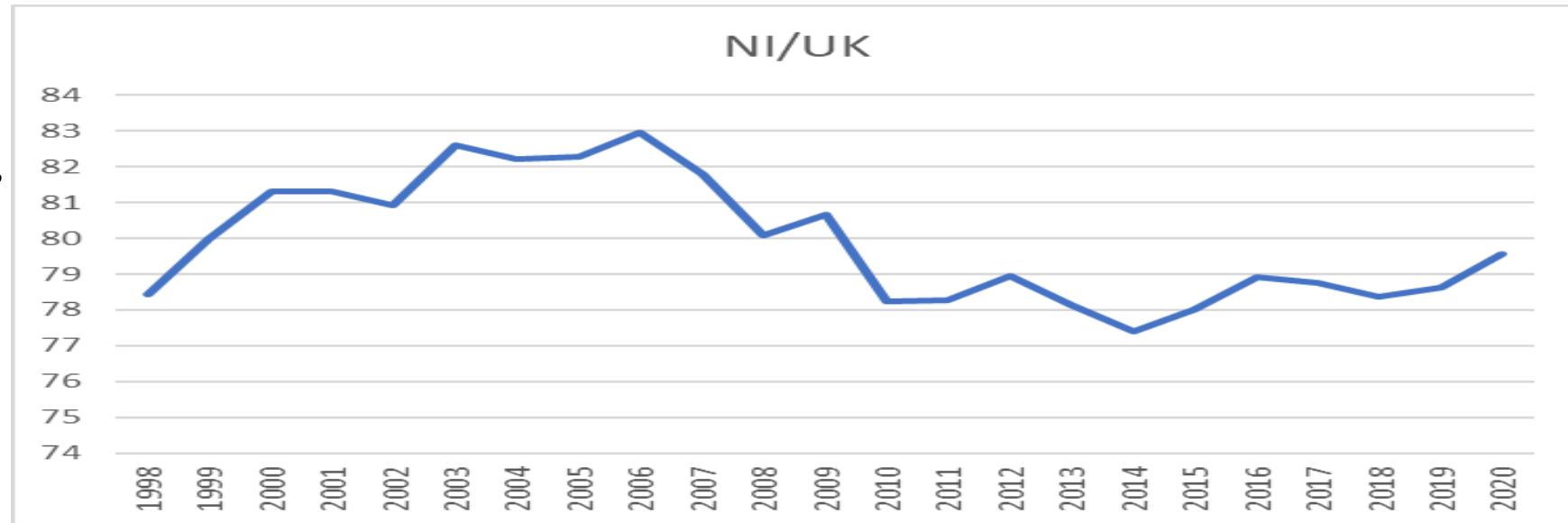
Considering here devolution's impact on economic policy making:

- Was 1921-72 precedent. Disappointing in the 1930s, more active in the 1960s. Certainly, lacking fiscal power (Wilson, 1955, Gibson, 1996).
- 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.

Outcomes in the period since 1998?

Lack of evidence of improvement

NI GDP per capita as % of UK level (ONS, 2022)



Specific points made in 1998 re. the economic agenda for devolution

1. Peace NOT a sufficient condition for an economic upsurge

- 1998-2023 confirms this. Competitiveness problem pre-dates the Troubles etc.
- Some indirect benefits of “peace”/greater stability were achieved but hard to disentangle these from what might have happened anyway/trends which may pre-date 1998 e.g. NI’s GDP growth during 1989-96 > UK average.

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

- EPC 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?



Specific points made in 1998 re. the economic agenda for devolution

- 3. Importance of NI's relationship North-South and with EU
- 1998 article (correctly) highlighted the coming challenging 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!



Second picture Spectator



Specific points made in 1998 re. the economic agenda for devolution

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

- 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 could that be squared with repeated Executive statement's about "sub-regional balance"?

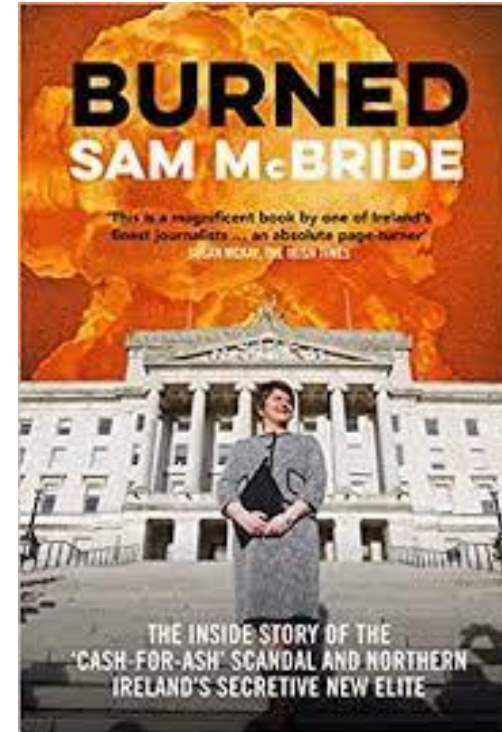


Specific points made in 1998 re. the economic agenda for devolution

- 5. Relatively high public spending: blessing *and* bane
 - Benefit in terms of keeping up demand levels.
 - 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 incentivize 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.



Picture: Amazon

Specific points made in 1998 re. the economic agenda for devolution

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

- Did stress competitiveness:
1999 *Strategy 2010*; 2013 *Executive Economic Strategy*; 2017 draft *Industrial Strategy* and 2021 *10X*.
- Overall improvement, e.g. productivity, limited.

Picture: Research Matters



Conclusions

- Obvious point about (my) economic predictions: Some right/some wrong!
- In 1998 it was possible to outline scope for economic improvement through devolution.
- But, critically, based on the assumption of a degree of stability/trust that did not then develop.
- In economic terms, the “new beginning” proved to be limited.

Picture: World Economic Forum



Conclusions/The next 25 years

- The 1998 Agreement not primarily about economics.
- Economics a much bigger role in the next 25 years.

WHY:

- ❖ Budget constraints tighter (UK pressures).
- ❖ Budget constraints tighter (Barnett Squeeze).
- ❖ NI clearly falling behind.

Hard choices harder to avoid: “To govern is to choose”,

Pierre Mendes-France (French PM mid 1950s)

Pictures: The Guardian and Wikipedia



What then should be done?

Develop and use capacity to consider policy

- In NI difficult to have reasoned debate around (difficult) policy options:
 - (a.) Existing capacity limited.
 - (b.) “Permission” is lacking.
 - (c.) Power of vested interest groups.
 - (d.) the Universities should be providing a venue for open debate.



What then should be done?

- Simplify down to a very small number of key policy targets
- Focus more on what can be done within NI as opposed to running to outside influences (i.e. London, Dublin, Brussels, Washington) but...



Thank you...

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