

Oireachtas Committee on the Implementation of the Good Friday Agreement

John FitzGerald and Edgar Morgenroth, December 8th 2020

Introduction

- We thank you for the invitation to attend
- We are not taking a position on the desirability or feasibility of a United Ireland
- We summarise here some of the key points from research published in the three papers in academic journals that we have sent you.

Results of Research

- The productivity of the Northern Ireland economy is the lowest in these islands
- As a result of its low level of productivity Northern Ireland needs a substantial subvention from outside Northern Ireland to maintain its current standard of living.
- There are a number of factors underlying the low level of productivity including:
 1. The low educational attainment of the population, the lowest of any UK region or Ireland
 2. Failure to invest in adequate productive infrastructure
 3. Legacy effect of the “Troubles”
- There are two factors behind the low educational attainment
 1. The educational system selects pupils into different schools at a young age based on academic achievement. This severely disadvantages pupils from a disadvantaged background and is a key factor in Northern Ireland having the highest proportion of early school leavers on these islands.
 2. A high proportion of Northern Ireland students who graduate from university emigrate and never return. This contributes to the very low share of the population with third-level qualifications
- As we have discovered in the past in Ireland, addressing such a deficit in educational attainment, if tackled urgently, takes more than a generation. Thus, even if urgent action is taken to address the causes of the low human capital in Northern Ireland, the problem of Northern Ireland’s low productivity will remain acute for at least the next 25 years.
- As a result of its low productivity, Northern Ireland is dependent on a transfer from London of around 20% of GDP to maintain its standard of living. Northern Ireland is treated quite generously within the UK context so that public expenditure per head is 120% of the UK average, much higher than in, for example, the North-East of England (106%).
- Northern Ireland is at risk from rising English nationalism and the possible fracturing of the UK which could see a redirection of resources to poorer British regions.
- An attached note updates our previous estimate of the subvention to Northern Ireland from the UK central government and it estimates what subvention would still be needed in the context of a United Ireland to maintain Northern Ireland’s current level of services.
- If this transfer had to come from central government in Dublin it would be a very substantial long-term burden on the standard of living of those in Ireland.
- This is a very partial examination of the economics of a United Ireland, focusing purely on direct fiscal issues, assuming the underlying systems are unchanged. A full analysis would need to specify to what extent social welfare rates might be harmonised, and how health and social housing are to be delivered. A wider consideration would, inter alia, look at the

impact of Northern Ireland of losing access to the GB market and the gaining of improved access to the Irish and EU markets. It would also look at the impact on Ireland of shouldering the considerable burden of the ongoing transfer needed to maintain living standards in Northern Ireland.

Conclusion

If Northern Ireland effectively addresses its productivity gap, it would both provide for a much more secure future within the UK, if that is what the population desires, and it would also greatly reduce the economic costs of a United Ireland, if that were the long-term option chosen. Thus, addressing the root causes of Northern Ireland's economic problems would benefit the population in Northern Ireland, whatever their political preferences, and it would also have long-term benefits for everyone on the island through increased trade.