

**NERI Opening Statement to the Joint Committee on the Implementation of the Good
Friday Agreement**

23 November 2023

Let me start by thanking the Chair and the members and staff of the Joint Committee for the invitation to appear before you today.

We are very grateful for this opportunity to discuss the all-island economy. My name is Paul Mac Flynn and I am joined by my colleague Dr Tom McDonnell. We are the Co-directors of the NERI.

The Nevin Economic Research Institute is a think tank based in Dublin and Belfast carrying out research on both economies on the island of Ireland. We are supported by trade unions that operate in both parts of the island and indeed many that are based outside the Republic of Ireland. Our mission is to produce research that will guide and inform policies that lead to the creation of a sustainable and inclusive economy in both jurisdictions.

As an institute we have always tried in as far as is possible to carry out research projects for both economies on the island of Ireland, but it needs to be emphasised that we are dealing with two very different economies. We have noticed a tendency when research is carried out to evaluate outcomes in a very binary way.

By this we mean that too often research is used to feed a narrative that one region is economically superior or more productive than the other and that we should be focused on either replicating or extending policies from one region to the other. In reality both economies have idiosyncratic strengths and weaknesses and while Northern Ireland's ostensible underperformance is prominent, this does not mean that we should simply seek to remedy this by emulating the approach of the Republic of Ireland.

The differences between both economies have obviously been exacerbated by the UK's departure from the European Union, but the truth is that both economies have been on

different trajectories for quite some time. The impact of the financial crash in 2008/10 is instructive here. The Republic experienced a much larger shock both to output and to its labour market than did Northern Ireland. The austerity policies pursued in the Republic were far deeper and more immediate. In contrast Northern Ireland experienced less of an immediate impact from the financial crash, yet the austerity policies pursued by the UK government have meant that the economy in Northern Ireland never achieved a significant recovery and has experienced stagnation for much of the past 10 years.

In no scenario would we have recommended the approach of the Republic of Ireland government for Northern Ireland or vice versa. For both economies, there were alternative strategies that prioritised sustainable investment and economic security and which would have provided much more equitable and resilient outcomes.

Similarly, there has been much discussion recently of the very contrasting budgetary situations in which both economies find themselves. The most recent budget in the Republic of Ireland is cast as much more generous when compared with the extremely challenging fiscal position in Northern Ireland. Once again, such an analysis is entirely reductive and misleading.

Rather than focusing inwards on relative performance between these two economies, we should instead be focused on driving both economies towards something different and better. Rather than seeking to vindicate the approach of one region over the other, we should instead look beyond this island and indeed within academia to see economic models and ideas worthy of emulation.

For example, our colleague Lisa Wilson sat on the Northern Ireland Fiscal Commission, which delivered a very valuable report on fiscal devolution. Among many other recommendations, it advised an incoming Executive against the devolution of corporation tax. Such 'easy answer' policies have been a fixation of previous Northern Ireland Executives and a distraction from more worthwhile industrial, innovation and enterprise policies which might have actually delivered sustainable growth to the economy.

This is not to say that there aren't many important lessons from the Republic of Ireland that can help in forming an economic strategy for Northern Ireland. The point is that, for both economies, we should also look to further afield for inspiration.

On many key policy measures, the UK and the Republic of Ireland stand apart from our European peers. For example, on taxation, we have noted that both the countries consistently raise much less government revenue per person than comparator economies. This is particularly the case on employer social insurance contributions.

It should be the goal of both economies to seek a future in a new economic model which avoids the pitfalls of current approaches. It should be one which avoids the volatility and boom-bust of the Republic of Ireland and one which avoids the stagnation and productivity slowdown of the UK.

At the NERI we are currently developing such an economic model and policy framework for both economies on the Island. We need an economic model that will allow us thrive in the contexts of the megatrends of ageing, climate change, deglobalisation and technological disruption. We would be delighted to discuss our work on this with committee members and of course to answer any questions you might have.

Thank you.