

CORK UNIVERSITY BUSINESS SCHOOL

**POLICY FORUM**

FRIDAY NOVEMBER 3, 2017

Devere Hall, Áras na Mac Léinn, UCC.



## RE-THINKING IRISH

## ECONOMIC DEVELOPMENT

This forum gives Irish policymaker's an opportunity to re-assess the current policy mind-set in order to build on strengths and address weaknesses.

The aim of the forum is to:

- explore how indigenous and foreign-owned businesses in Irish cities, towns and rural areas can drive national growth for the next two decades
- investigate how policy, at national, regional and local levels can help, either by supporting these businesses or by removing obstacles to their competitiveness



# WELCOME

Welcome to UCC and thank you for taking the time out of your busy schedule to participate in our policy forum. I see today as an opportunity to stand back and reflect on Irish economic development, to re-evaluate our policies and perhaps consider new ways of thinking about Ireland 2040.

The agenda for the forum has been shaped by my book, *Irish Economic Development: High-performing EU State or Serial Under-achiever*, published by Routledge in 2015. I invited today's presenters because they are all doing research in areas that are hugely important for enhancing our understanding of Irish economic development. I would like to thank Professor John McHale for agreeing to Chair today. Thanks also to the President of UCC, Professor Patrick O'Shea, for opening the forum.

Presenters will deliver a 15 minute non-technical presentation that focuses on the implications of their work for policymaking and prompts us to re-think policy for future development. Each presentation will be followed by a brief Q&A session

The event is being recorded and streamed and will be available on our website. The slides will also be available there.

Finally, I would like to thank for financial support the Department of Economics and Cork University Business School and for the great help I received from Mary Maguire, Bee Edis and Nicola Stathers in organizing today. Thanks also to the staff of Aras Ma Mac Leinn.

**EOIN O'LEARY**

Forum Organiser

## FORUM SCHEDULE

TIME	AGENDA
9:00	Prof Patrick O'Shea, President of UCC Opening of Forum
9.15	Prof John McHale Chair's Address
9.30	Prof Eoin O'Leary, UCC Re-thinking Irish economic development policy
10.00	Mr Seamus Coffey, UCC How sustainable are favourable tax policies for future Irish economic development?
10.30	Dr Bernadette Power, UCC The stock of Irish businesses before, during and after the crisis: what are the implications for Irish development policy?

TIME	AGENDA
11.00	Coffee/Tea and Refreshments
11.30	Dr Chris Van Egeraat, NUIM How can we identify sectoral and spatial concentrations of Irish-based businesses? - implications for policymakers
12.00	Ms Lisa Noonan, UCC The role of agglomeration economies and demonstration effects for Irish foreign - owned manufacturing productivity: lessons for policy
12.30	Prof Eleanor Doyle, UCC Irish Cluster policy: a discredited idea or the way forward?
1.00	Lunch

TIME	AGENDA
2.00	Prof Kevin R. Murphy, UL Policies for supporting innovative human capital in Irish business
3.00	Dr Sean Barrett, TCD A case study of rent-seeking in Ireland: the Irish Bus industry
2.30	Prof Thia Hennessey, UCC The Irish Agri-food sector: policies for future development
3.30	Prof John McHale Closing Remarks

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# PRESENTATION SUMMARIES

## RE-THINKING IRISH ECONOMIC DEVELOPMENT

EOIN O'LEARY

This presentation identifies three problems that have and may in future undermine Ireland's ability to fulfil its economic development potential. These are weakness in developing indigenous enterprise, failure to see places as drivers of economic development and a lack of institutional learning. It proposes that priority be given to developing critical masses of internationally competitive indigenous enterprises by viewing development as a bottom-up organic process. This requires that we design fit-for-purpose city regions, towns and rural places and that control and responsibility for enterprise development be decentralized to elected authorities in these places with tax raising powers. It is never too late to plot a new course.

## HOW SUSTAINABLE ARE FAVOURABLE TAX POLICIES FOR FUTURE IRISH ECONOMIC DEVELOPMENT?

SEAMUS COFFEY

Ireland is currently in a sweet-spot for attracting investment, employment and, more recently, Corporation Tax revenues from foreign MNCs particularly from the US. US companies are responsible for eight per cent of employment and undertake ten per cent of investment in tangible assets by firms in the business economy in Ireland. In relative terms these are four and three times greater than the median outcome for the remainder of the EU15. More than half of Ireland's Corporation Tax base arises through US-owned companies with Corporation Tax receipts of 8 billion expected this year. The profits of US companies in Ireland were one-quarter of their reported profits in the EU15 in 2014 and greater than those earned in Germany, France and Italy combined. This presentation assesses the risks, mainly external, that threaten Ireland's position in this sweet spot.

**THE STOCK OF BUSINESSES IN IRELAND: PRE, DURING AND POST CRISIS.  
WHAT ARE THE IMPLICATIONS FOR IRISH DEVELOPMENT POLICY?  
BERNADETTE POWER**

An exploration of changes in the stock of businesses in Ireland identifies core strengths in terms of continued growth in the knowledge intensive services sector but also highlights imbalances - most of this growth is centralised in Dublin. Manufacturing while more regionally dispersed is not growing and is largely concentrated in medium low and low technology manufacturing sectors. The vast majority of firms are micro enterprises which are either not scalable, don't want to scale or are experiencing challenges in scaling their businesses. The implications of the latter for enterprise policy are discussed. Solutions which assist in scaling businesses with 1-4 employees is critical for their long term survival. Addressing regional imbalances in entrepreneurship through policy is challenging. Local specialisation is important for reducing enterprise deaths but it is greater population density which raises enterprise birth rates. The latter supports spatial strategies to develop urban centres outside the greater Dublin area and a bottom up approach to enterprise development.

**HOW CAN WE IDENTIFY SECTORAL AND SPATIAL CONCENTRATIONS OF IRISH-BASED  
BUSINESSES? -IMPLICATIONS FOR POLICYMAKERS.  
CHRIS VAN EGERAAT**

Regional industrial policy is inspired by a range of territorial production concepts. Most of these are based on the benefits of geographically concentrated groupings of firms in the same industry. The identification of these groupings tends to employ geographical concentration and/or industrial specialisation indices. Neither of these types of indices identify substantial concentrations and methodologies often work with pre-specified administrative boundaries. This paper outlines a new index for substantial industrial concentrations and a new methodology for generating meaningful boundaries of concentrations. In addition, the paper addresses the issue of the relevant spatial scale of clusters and cluster policy in Ireland

# PRESENTATION SUMMARIES

## THE ROLE OF AGGLOMERATION ECONOMIES AND DEMONSTRATION EFFECTS FOR IRISH FOREIGN-OWNED MANUFACTURING PRODUCTIVITY: LESSONS FOR POLICY

LISA NOONAN & EOIN O'LEARY

While the National Planning Framework (NPF) places an emphasis on the development of Ireland's urban structure, we find that factors other than urban location are also important. We discuss how regardless of their location in the country, the productivity of a foreign-owned business in Ireland will be higher the greater the number of foreign-owned businesses of the same nationality in Ireland. This could be dependent on social proximity and sharing the 'rules of the game'. However, it may also be due to lobbying of the Irish government. In line with the objectives of the NPF, the role of location, specifically urban concentration, and the importance of skilled labour for foreign-owned businesses within Irish regions should also be promoted by policymakers.

## IRISH CLUSTER POLICY: A DISCREDITED IDEA OR THE WAY FORWARD?

ELEANOR DOYLE

Cluster-based policy is ubiquitous in economic development across Europe, the United States, and wider afield. Ireland is a relative late-comer to implementing national or regional cluster policies although Irish policy since the 1990s has identified clusters as a channel for supporting and delivering economic development. Currently clusters feature large in national and regional Action Plans for Jobs. Irish regions stand to benefit from the considerable range of established understandings on how Cluster Initiatives have been organised and what their goals have been elsewhere.

This session considers the potential for the current incarnation of Irish cluster policy to be effectively implemented.

## **POLICES FOR SUPPORTING INNOVATIVE HUMAN CAPITAL IN IRISH BUSINESS**

KEVIN R. MURPHY

For the last 50 years, public policy and organizational efforts to increase levels of Human Capital in the workforce have focussed on education and training. The next generation of human capital development will focus on factors that motivate employees to take risks and innovate, including work attitudes such as job satisfaction and commitment to the goals of the organizations. Public policy programmes aimed at assisting organizations in identifying, implementing and monitoring these critical attitudes and beliefs are presented. These build on existing programmes to support business innovation, and will help build three-way partnerships between organizations, public policy bodies and sources of expertise on human resource management.

## **THE IRISH AGRI-FOOD SECTOR: POLICIES FOR FUTURE DEVELOPMENT**

THIA HENNESSY AND TREVOR DONNELLAN

This presentation considers the major challenges facing the Irish agri-food sector and explores future policy options. Three main challenges are considered; the persistent low levels of profitability and productivity in the non-dairy primary agriculture sector, the constraining impact of climate change policy on the profitable dairy sector and the implications of Brexit for Ireland's agri-food sector in general. The presentation will consider the impending reform of the Common Agricultural Policy, the ongoing Brexit talks and global climate change policies with a view to exploring what policy options may best support the Irish agri-food sector and the wider contribution the sector makes to the rural economy of Ireland.

# PRESENTATION SUMMARIES

## A CASE STUDY OF RENT-SEEKING IN IRELAND; THE IRISH BUS INDUSTRY SEAN BARRETT

Rent-seeking is lobbying by incumbent producers seeking protection by the government from potential competition. Subsidies, tariff protection, and laws to restrict competition and create barriers to entry are examples of successful rent-seeking. When a regulator is captured the incumbent lobby increases its income without increasing overall economic output. Successful rent-seeking and capture is widespread in the transport sector as a whole, including aviation, trucking, airports and taxis as well as buses.

Rent-seeking behaviour and regulatory capture have dominated the Irish bus sector for 85 years. Where Court decisions have reduced regulatory capture there have been significant increases in output and efficiency but also renewed rent-seeking pressures for regulatory recapture. Efficient producers face competition from less efficient incumbents engaged in lobbying and society also faces the cost of the lobbyist sector in unproductive entrepreneurship. Society as a whole requires regulatory agencies operating in the interests of the wider society rather than as downtown offices of incumbents. The gains from new entrants to the Irish intercity bus sector have included large increases in output and productivity and should be sought throughout the network nationwide. Regulatory bodies should be proofed against rent-seeking and policy capture by lobbyists.

# SPEAKERS



**JOHN MCHALE**  
PROFESSOR,  
NUI GALWAY

John McHale is a well-known and respected economist who has served as Chairman of the Irish Fiscal Advisory Authority: 2011-2016. He also researches in the areas of innovation, human capital and economic geography. John will chair the day's proceedings



**EOIN O'LEARY**  
PROFESSOR, UCC

Eoin has for many years been an independent voice on Irish economic development. He will concentrate on how the Irish policymaker's mind-set can both help and hinder Ireland's ability to realise its economic development potential by 2040.



**SEAMUS COFFEY**  
CHAIR OF THE FISCAL  
ADVISORY COUNCIL  
AND LECTURER, UCC

Seamus is a well-known and astute commentator on the Irish economy. His presentation will assess the sustainability of favourable corporation tax policies for future Irish economic development

# SPEAKERS



**CHRIS VAN EGERAAT**  
SENIOR LECTURER,  
NUIM

Chris van Egeraat is a highly respected Irish-based economic geographer. His presentation will consider what spatial and sectoral concentrations exist in Ireland and how policymakers can support them.



**BERNADETTE POWER**  
LECTURER, UCC

Bernadette Power specialises in small business research. She has developed a unique data set on the stock of Irish businesses across all sectors on the economy. She will discuss policy implications of how the Irish business stock has changed since 2006



**LISA NOONAN**  
LECTURER, UCC

Lisa Noonan has recently completed her PhD. Lisa will present the policy implications of new research with Eoin O'Leary on the importance of location and the presence of other Irish-based foreign-owned businesses for Irish manufacturing productivity



**ELEANOR DOYLE**  
PROFESSOR, UCC

Eleanor Doyle is director of UCC's Competitiveness Institute which promotes the value creation capacity of Irish-based enterprises. She will debate whether cluster policy is indeed a discredited idea or a way forward.



KEVIN R MURPHY  
KEMMY CHAIR OF  
WORK & EMPLOYMENT  
STUDIES, UL

Kevin Murphy was recently appointed to the Kemmy Chair of Work and Employment Studies at the University of Limerick. Kevin will present joint work with Prof Helena Lenihan (UL) on policies for supporting human capital formation in Irish business.



THIA HENNESSY  
PROFESSOR, UCC

Thia Hennessey is an agri-food expert & a recent professorial appointment to the Cork University Business School at UCC. She will assess the agri-food sector & consider policies for its future development including dealing with the implications of BREXIT.



SEAN BARRETT  
FELLOW EMERITUS,  
ECONOMICS, TCD

Sean Barrett is a highly respected Irish economist and former member of Seanad Eireann. He will reveal the nature of rent-seeking, an important problem for Irish policy makers to consider, by presenting a case study of the Irish bus industry.



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