

The Best is Yet to Come

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'A terrific read'
Professor Joe Lee

Presentation overview

- Back to the Future
 - Celtic Tiger or Stunted Nation?
- Reality check
- Density and Destiny
 - East/West imbalance
 - Shannon versus Shenzhen
 - The only way is up
 - The Legacy of Land
 - Ireland of the Hundred Governments
 - ┌ Electoral system
- Conclusions

Executive Summary

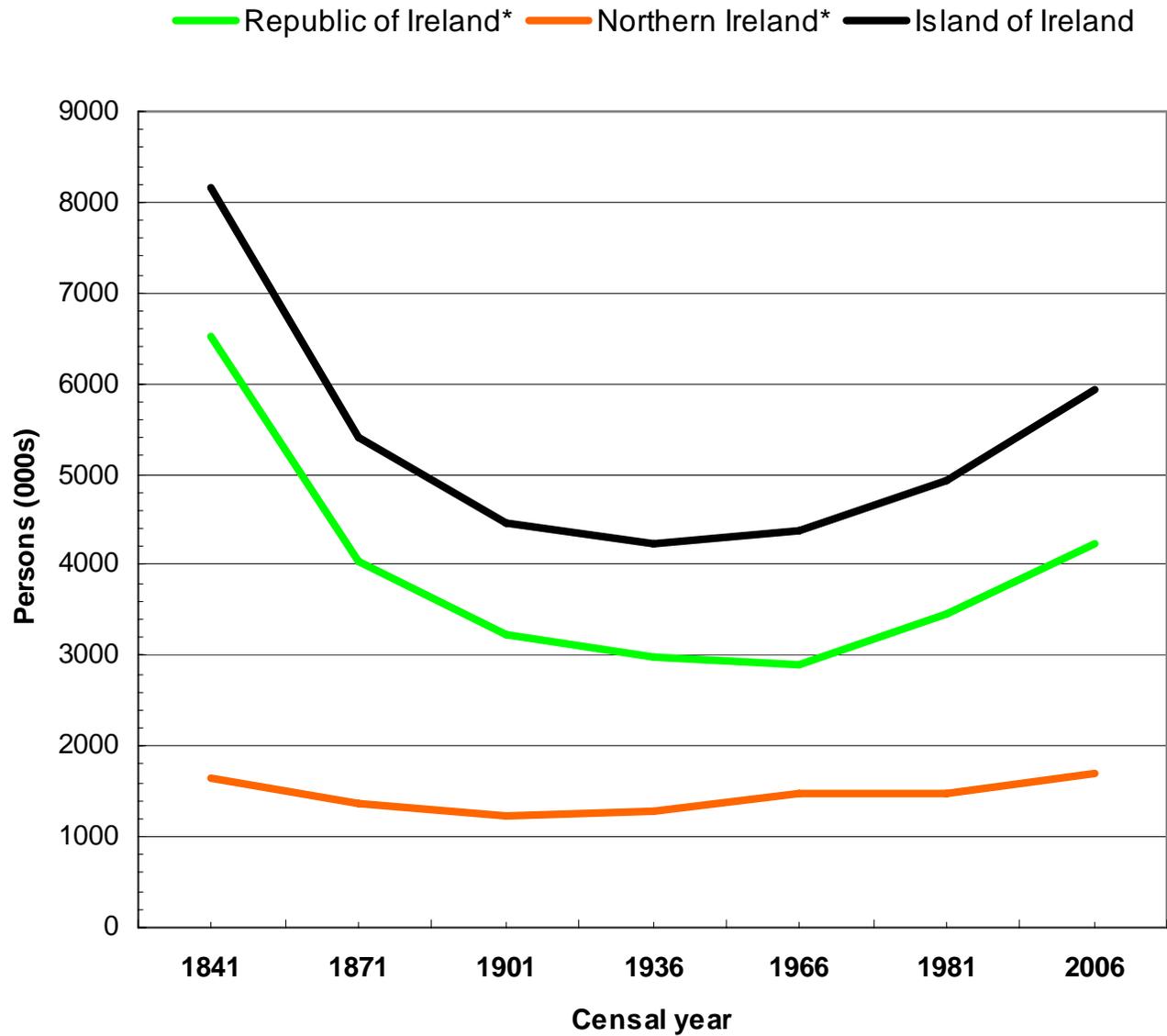
- Celtic Tiger doesn't exist
- Ireland's growth is no miracle, but a long-delayed demographic recovery, a coiled spring waiting to unwind
- Far from being disastrous, the coming economic slowdown is a long needed pause for breath...more the "end of the beginning" than the "beginning of the end"
- BUT
- Productivity growth is running into the sand. A range of interconnected and mutually dependant obstacles to a full demographic recovery need to be confronted if the full potential of the country is to be realised. These include
 - An east-west imbalance in population growth
 - A failure to adequately urbanise
 - Lack of transport infrastructure
 - Lack of economic planning and connected government
 - Dysfunctional attitudes towards and policies on land use
 - Dysfunctional local authority structures.
 - The ultimate source of all the above, I believe: Our system of electoral representation)

Back to the Future

- 1841: Population of island 8.2 million
- Net exporter of food; Famine avoidable
- Even after famine population was just under 7 million and should have rebounded to 9 million by turn of 20th century
- It didn't because British gov't encouraged emigration, denuding population growth
- Prosperity in late 19th Century based on "Hideous chasm" of a depopulated nation



Back to the Future



*Before 1922 the geographical equivalent of

Back to the Future

- Closing circle of History:
 - Policy Permafrost
 - 1847 to 1917: Irish encourage to emigrate or join British army (neither option conducive to recovering domestic population)
 - 1932 to 1957: Protectionism crippled domestic economy
 - 1957 to 1977: Brief respite
 - 1977 to 1987: Decade of fiscal deterioration put economy back into reverse gear, eroding much of the gains of the previous two decades.
 - Population growth only ended twenty years ago, ie in 1987
 - ┌ Conservative estimates (NCB) say population of Republic to hit 6 million by 2050, over 2 million in the north so finally recovery of population levels by 2050
 - ┌ But since 19th Europe's population has **trebled**
 - ┌ This implies a higher population level for Ireland by then than 8 million. **How high?**

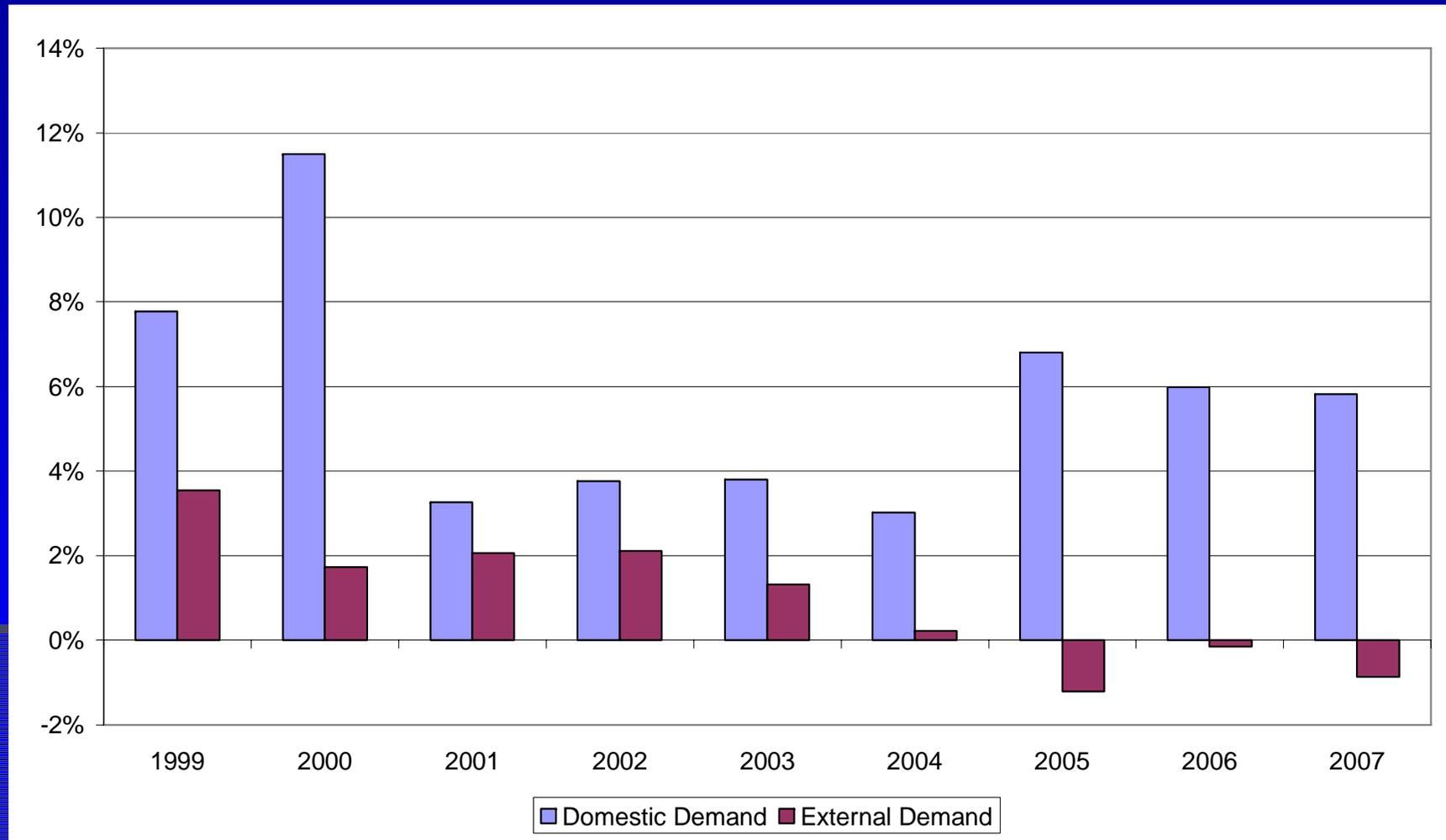
Back to the Future

- Why is the past relevant?
- 1841: Ireland chronically dependant on agriculture
- 2007: Agriculture is less than 4 per cent of Gross Domestic Product and employs less than one in ten of workforce
- Ireland a globalised, diverse economy linked in a currency union to a market of almost 400 million people
- Dramatic increase in population (up 1 million since 1980s) and FDI backs “Stunted Nation” theory: Now Ireland is an open economy, people and capital are flooding in at unprecedented rates
- **BUT:**
 - In the Long run continued prosperity and growth depends on success of our traded sector...
 - ...which in turn depends vitally on efficiency of politically protected non-traded sector including public sector

Back to the Future

- “Cain Slew Abel”
 - January 2000 to today
 - General prices rose by 30 per cent
 - Electricity prices rose by 240 per cent
 - Various local authority charges by 240 per cent
 - Health costs (largely public) by 93 per cent
 - More generally
 - Chronic underperformance of public sector & over-protected parts of private sector generally – transport / postal services / electricity is holding economy back and retarding Ireland’s future

Figure 5 Year-on-year growth of Domestic Demand and External Demand



Source; *Central Statistics Office 2007*

Back to the Future

- What is Ireland's "steady-state" population potential?
- How quickly can it be reached?
- What obstacles have to be overcome to reach it?

What if Ireland was as densely populated as...?

Republic Island

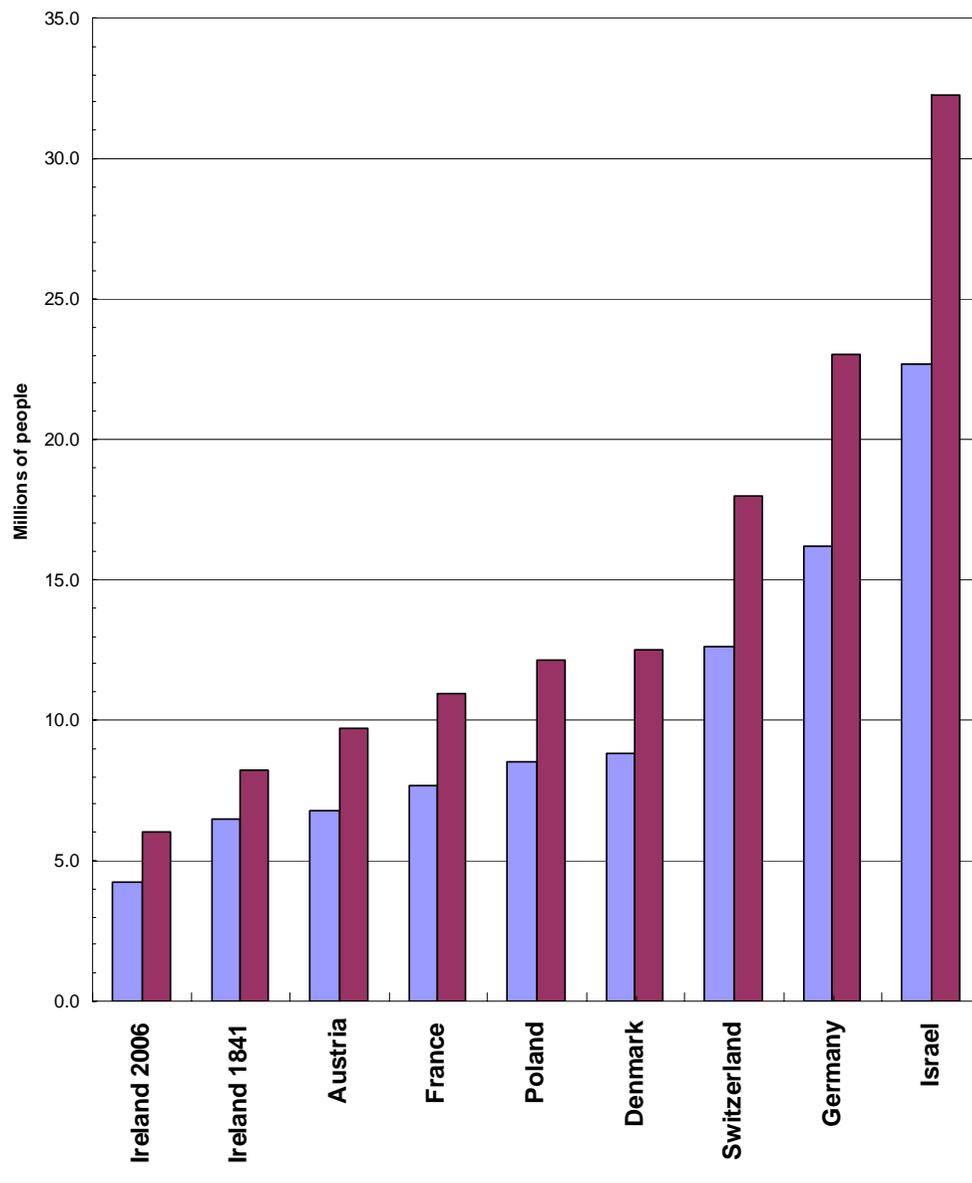
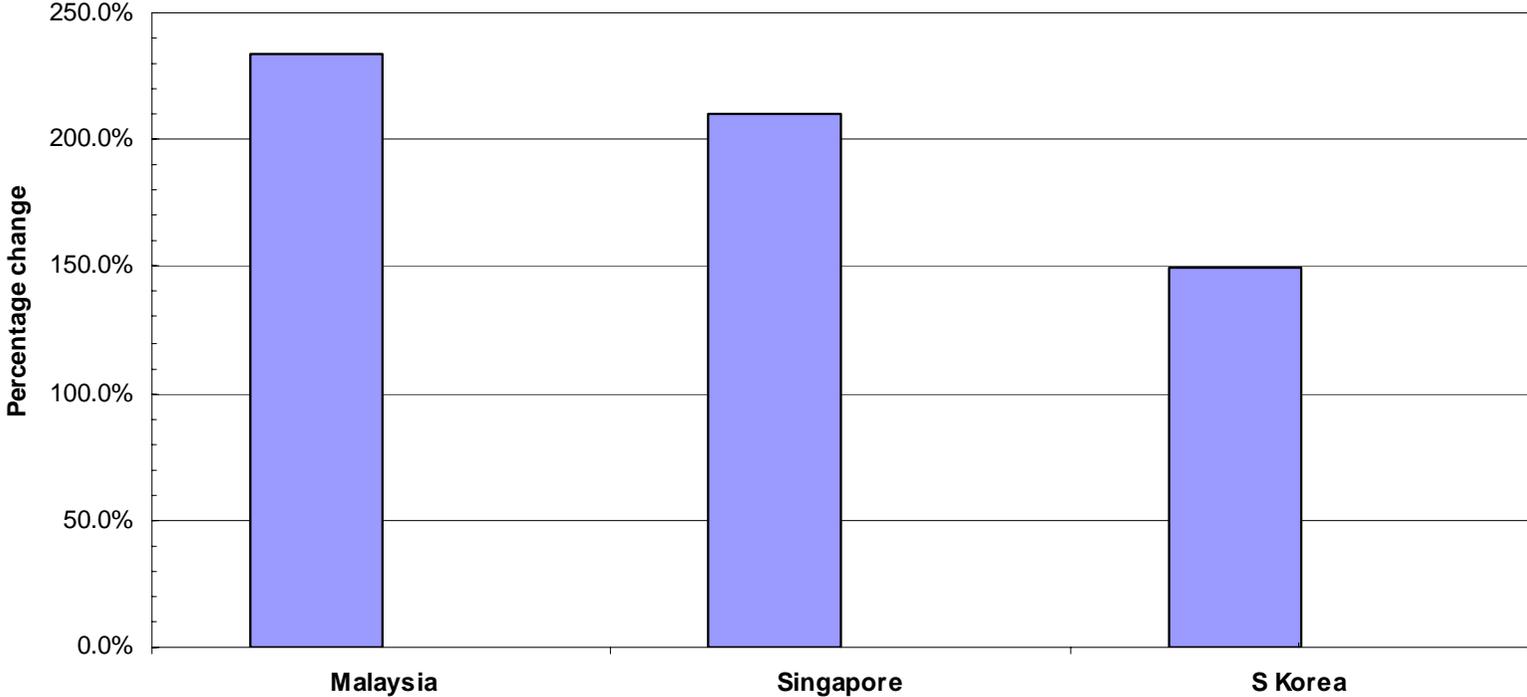


Figure 3: Population Density in Persons per Hectare

	1970	2005
Singapore	33.6	70
S Korea	3.2	4.8
Malaysia	0.3	0.8
Ireland	0.4	0.6

Source: United Nations, 2006

Rates of population growth 1970 to 2005



Back to the Future

- The case of Israel
 - Relevance to Ireland; Huge diaspora
 - i.e. huge potential for population increase
 - Much smaller land size; Israel smaller than Leinster
 - 1948: Just over 2 million people
 - Now: Just under 7 million people
- Aliyah: Policy of encourage return migration.
- With three times the land mass and a much healthier economy, Ireland can achieve similar growth

Reality Check

- !?!?
- Congestion:
 - Coldwell international estate agents:
“Ireland 2nd most expensive in world for executive property costs after Beverly Hills”
 - CSO “Between 1996 and 2002 the average distance traveled to work nationally had risen from 6 to 10 miles”
- And this is just with a population of 4.2 million?

Reaping the Density Dividend

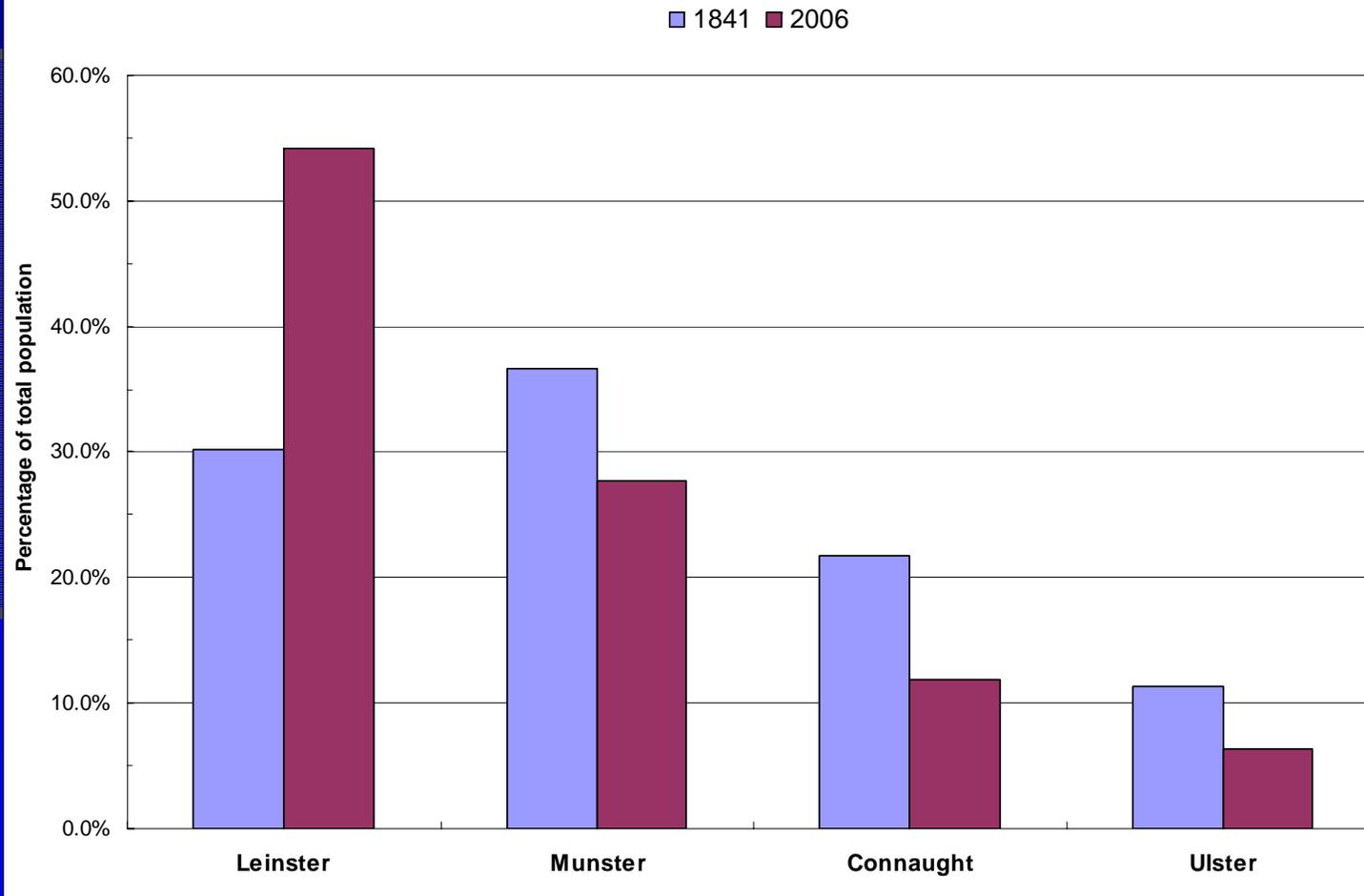
- Congestion & high cost of living means population recovery has hit buffers.
- But countries with far higher population densities (Denmark, Germany) are low congestion countries with modest cost of living
- Ireland's problem is not population growth, but failure of policies & mindsets to emerge from the 19th century.
- Ireland must reap the Density Dividend

Reaping the Density Dividend

1. East / West Imbalance

- Post famine eastward bias in population has not been corrected.
- Result is overreliance on Dublin as a source of employment
- Consequences are extremely high cost of living and congestion in the capital
- In 19th century, west was over populated.
- Now it's the east of the country.

The Leinsterisation of Ireland



Source; *Central Statistics Office 2007*

Reaping the Density Dividend

Urbanisation

- Sweden less densely populated than Ireland (for climatic reasons)
- But compared to just over half in Ireland, over three-quarters of Sweden's population lives in urban areas
- These are higher density and more efficient urban centres (but not overly dense Manhattan style cities)

Reaping the Density Dividend

Shannon versus Shenzen

- Shenzen city 1970: 300,000
- Shannon/Limerick 1970: 80,000
- Shenzen city 2006: 8.5 million
- Shannon/Limerick 2006: 120,000
- Belfast hinterland 2006: 1 million

- Recent debate over Heathrow slots: Yes government failed region, but not by taking away slots. Rather failure due to
 - Failure to target population growth in relevant urban areas
 - Failure to increase size of hinterland population by improving transport linkages
 - Failure to provide broadband

- Not just Aer Lingus, Tyco, Thompson Financial.
- Limerick / Shannon lost out on aircraft leasing industry despite location of GPA in Limerick. This industry is now burgeoning in Dublin because Dublin has critical mass.

Reaping the Density Dividend

- Failure to urbanise
 - 8 % growth in overall population 2002 to 2006
 - Cork & Limerick's population's actually fell
- Overall growth in urban centres was half rate of national growth (4%)
- If we could reverse this (ie ensure urban population grows by double the following urban population profiles could be attained:

Reaping the Density Dividend

- Cork (& suburbs)
 - 300,000 by 2020
 - 500,000 by 2050
- Limerick /Shannon (& suburbs)
 - 136,000 by 2020
 - 240,000 by 2050
- Galway (city area)
 - ┆ 114,000 by 2020
 - ┆ 200,000 by 2050

Reaping the Density Dividend

The Only way is up: Boston –v-Berlin

- Berlin:
 - Size: 890 sq kilometres
 - Population: 3.8 million
 - Not a skyscraper in sight
- Dublin:
 - Size: 922 sq kilometres (county area)
 - Population: 1.2 million (county area)
- Reasons:
 - ┌ Berlin: Efficient but pleasantly densified urban landscape involving seven to eight story apartments, well designed for family living & with green spaces & good transport
 - ┌ Dublin: Sprawl of housing

Reaping the Density Dividend

The real debate: Dublin –v- Berlin

- Berlin:
 - 3 times more people per square kilometre
 - Provision of public transport (underground/bus/tram) much more financially feasible
 - Diversity of employment opportunities much wider
 - Greater potential for competition for local goods and services provision.
Berliners not at mercy of local convenience store monopolist or only one pub.
 - Well balanced: Young live in apartments near city centre and only move out to houses when older & really need to
- Dublin:
 - The opposite of all this is true:
 - Low density living inefficient for public transport so reliance on car...hence congestion
 - Local suburban population too low to support
 - As shown by recent Halifax survey – half the Dublin labour force is now priced out of the capital because of poor land use

A simple choice.....

- We can have low skylines.....
-or low city accomation costs...
- But we cannot have both

Reaping the Density Dividend

The Legacy of Land

- C&AG reported in 2006 that NDP 2000 – 2006 cost of roads programme rose from 7 billion to 14 billion
- 2006 alone, 360 million spent on land acquisition
- High price of land now distorting planning decisions
 - Monaghan co. council decision to plan growth in 29 villages instead of economically efficient clustering of growth in Monaghan town
 - Impetus was interaction between councillors and farmers.
 - Monaghan plan would have resulted in creation of future ghost towns, destroying forever Monaghan's economic potential and its property market
 - Thankfully rescinded by Minister

The Legacy of Land

- Irish house buyers transferring massive and unjustified amounts of money to agricultural land-owners unnecessarily.
- Impact on cost of accomodation and living will destroy our economy unless halted.
- Sean Dunne 59 million per square acre; Unsustainable unless we build up.
- Erskine Childers 1957 *“It is not too much to say that our entire economy will stand or fall by the use made of the land”*

Reaping the Density Dividend

Housing market and the need for stability

- No sudden moves:
 - Moving towards continental style of urban living will require:
 - Capping price of land when rezoned (not of urban land already zoned)
 - Densifying population in high quality apartments
 - Doing this gradually over a period of one or two decades in synchronisation with economic and housing market cycle
- All this underpins need for proper long term economic planning plugged into local authority decisions.

Reaping the Density Dividend

Ireland of the hundred governments

- Ireland has over 100 local authorities
- Interaction with road and rail authorities and government departments hugely complicate infrastructure planning and cost effectiveness
- 2006: Number of local authorities in N.I. reduced from 26 to 7
- If N.I. can do it, so can we.
- Consolidation of local authorities from 100 into around 8 would be conducive to both good local government and better management of infrastructure provision for regional economic areas
- Would be conducive to providing proper local government, proper systems of local authority finance and a final badly needed segregation of local from national perspectives amongst our TDs.

Reaping the Density Dividend

Reforming our Electoral system

- All problems above involve changing significantly the balance of interests...
 - ...between land-owners and the rest of society
 - ...between vested interests in public sector and rest of society
- This will require
 - leadership rather than “followership”
 - National rather than tribal/sectoral thinking
 - Focussing on long-term rather than short-term
- Social Partnership will need to be reformed to broaden representation
- Electoral system will need to be reformed to desensitise decision making to influence of small groups.

CONCLUSIONS

- Ireland's potential for further growth is vast.
- Whether compared to its historic past or present levels in other countries, it is bizarrely underpopulated
- Inhabiting both the euro zone of 400 million but also tuned into a dynamic world economy, with links to the US and China, Ireland has huge potential to grow.
- A gradual, well planned reform of public governance is needed involving
 - ┆ Land reform and planning reform
 - ┆ Roll out of National Development Plan
 - ┆ A spatial strategy and acceptance of urbanisation
 - ┆ Consolidation and reform of local authority structures
 - ┆ Reform of electoral and social partnership architectures.
- Theodor Herzl "If you will it, It is no dream"