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Title	Planning Ireland to 2040: how to address our economic development policy weaknesses
Authors	O'Leary, Eoin
Publication date	2018
Original Citation	O'Leary, E. (2018) 'Planning Ireland to 2040: how to address our economic development policy weaknesses', Administration, 66(1), pp. 89–105. doi: 10.2478/admin-2018-0010
Type of publication	Article (peer-reviewed)
Link to publisher's version	https://content.sciendo.com/view/journals/admin/66/1/article-p89.xml - 10.2478/admin-2018-0010
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Download date	2026-11-15 01:38:13
Item downloaded from	https://hdl.handle.net/10468/6324



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OPEN

Administration, vol. 66, no. 1 (2018), pp. 89–105
doi: 10.2478/admin-2018-0010

Planning Ireland to 2040: How to address our economic development policy weaknesses

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Introduction

The National Planning Framework proposes to plan for Ireland to 2040. Its aim is to 'ensure Ireland's long term economic, environmental and social progress for all parts of our country' (Government of Ireland, 2017). This paper is concerned with policymaking for Irish economic development to 2040. It is based on a presentation given by the author to a policy forum in University College Cork (UCC) on 3 November 2017.[1]

In order to plan for twenty-two years into the future, policymakers would need to address policy weaknesses of the past. Drawing on O'Leary (2015), this paper contends that unless Irish policymakers change deep-seated mindsets in relation to enterprise development that have resulted in underachievement by the economy since the 1970s, the likelihood of Ireland achieving its full potential in 2040 will be compromised.

[1] For more on the policy forum in UCC see https://www.cubsucc.com/re-thinking-irish-economic-development/. The author would like to acknowledge the insightful contributions of presenters and delegates made during the forum.

In the next section, three interrelated policy problems are identified that need to be addressed in order to sustain national prosperity to 2040: first, a chronic weakness in developing critical masses of internationally competitive indigenous enterprises; second, repeated failure to adopt a hierarchy of city regions, towns and rural locations as drivers of enterprise development and national competitiveness; and, finally, the lack of institutional learning from recurring policy mistakes in relation to over-centralisation and rent-seeking.

The final section proposes policy solutions for the three problems identified, all of which are interrelated. These are, first, to view the development of critical masses of internationally competitive indigenous enterprises as a decentralised, bottom-up, organic process; second, to decide on the optimal spatial boundaries for city regions, towns and rural areas to promote Irish economic development; and, finally, to introduce limited decentralisation, with control and responsibility for enterprise development being given to elected authorities in city regions, towns and rural areas.

Ireland's three policy problems

This section outlines the three policy problems that have existed in Ireland since the 1970s and that have undermined the country's ability to reach its potential.

Weakness in developing indigenous enterprises

Based on the widely supported premise that economic development is ultimately driven by enterprise development (Porter, 2004), it is necessary in a small country such as Ireland, which is heavily dependent on an export-led growth strategy, to identify its internationally competitive industries. Using the measure of Ireland's degree of sectoral employment specialisation compared to other countries, suggested by Barry et al. (2003), O'Leary (2015, pp. 73–80) identified Ireland's five internationally competitive sectors. These are pharmaceuticals, ICT (which includes both manufacturing and services activities) and financial services, all of which are dominated by foreign-assisted enterprises, and food processing and tourism, which are largely indigenous.

That three of Ireland's five internationally competitive industries are dominated by foreign-assisted enterprises reflects the weakness in developing critical masses of world-class indigenous enterprises. It also reveals the dominant economic development policy of Ireland

which emerged during the 1950s. This was to invite foreign-assisted enterprises to use Ireland as an export base. It is clear that the employment offered by these enterprises was initially seen as an alternative source of employment given weaknesses in indigenous industry in the 1970s and 1980s (Culliton, 1992; Telesis, 1982). After the Celtic tiger period (i.e. 1993 to 2002), which was largely driven by the exporting performance of foreign-assisted enterprises, it was clear that these enterprises were to be a permanent feature of the enterprise landscape (Enterprise Strategy Group, 2004). But for the presence of these enterprises, Ireland's recovery since the 2007 crisis would not have been successful (Coffey, 2011). Ireland has remained highly dependent on the pipeline of foreign-assisted enterprises delivered through IDA Ireland since the 1970s. It is interesting to speculate if policymakers would have considered three or four decades ago that we would still be so dependent on that pipeline in 2017. Many would have thought, or perhaps hoped, that the emergence of critical masses of world-class indigenous enterprises would have lessened the dependency.

However, Telesis (1982), Culliton (1992) and the Enterprise Strategy Group (2004) all noted the lack of linkages between foreign-assisted and indigenous enterprises. For example, Culliton referred to foreign-assisted enterprises operating 'in an enclave' alongside a traditional indigenous sector which was 'largely static or in decline' (1992, p. 23). While the performance of indigenous sectors somewhat improved during, and since, the Celtic tiger period, evidence on the dichotomous nature of Ireland's development trajectory has continued to mount. For example, there are marked differences in the ways in which indigenous and foreign-owned enterprises conduct innovation in Ireland. Indigenous enterprises typically enjoy relatively high returns on R&D, while also sourcing knowledge from market agents such as customers and suppliers. On the other hand, the returns to R&D for foreign-owned enterprises are conditioned by the taxation regime facing them in Ireland. This has resulted in a separate innovation system comprising higher education institutes doing research mostly for the foreign-dominated, high-technology pharmaceutical and ICT sectors (Doran & O'Leary, 2016; Doran et al., 2013).

The key question to ask in relation to Ireland's five internationally competitive industries is: are the sources of superior performance in the past going to continue to deliver into the future? For our three foreign-dominated industries, superior past performance has clearly

been driven by Ireland's favourable tax rates. There is limited evidence, presented in O'Leary (2015, pp. 111–12), to suggest that the business environment in Ireland has also helped, perhaps through urbanisation economies and government policies of providing well-serviced sites and infrastructure in urban locations, as well as the ingenuity of Irish-based staff to continually upgrade the operations of the Irish affiliates of these foreign-owned enterprises.

It is clear that increasing attention from the EU Commission, following the exposure of the tax practices of flagship multinationals, and strong pressure from other EU members will mean that Ireland's ability to attract foreign-assisted enterprises based on tax advantages may be in doubt. In terms of urbanisation advantages, the evidence on pharmaceuticals indicates that the advantages offered by urban location may be replicable in many urban locations, not just in Ireland, thereby suggesting that, unless they are deepened, they may not be a source of sustainable advantage to Ireland going forward (van Egeraat & Curran, 2013). Apart from anecdotal accounts, there is little evidence on the nature and strength of the final source of superior past performance by these enterprises in Ireland – that is, the ingenuity of Irish-based staff to upgrade them.

Food processing and tourism employ relatively large numbers and are dominated by indigenous enterprises. Food processing is closely connected with agriculture. The sector is dominated by a very large number of low-productivity enterprises. The effect of the long-standing EU Common Agriculture Policy and the tendency to rely on commodity products raises a question about the entrepreneurial vibrancy of the sector. There are a small number of relatively large indigenous enterprises in the dairy and meat processing sub-sectors that have developed as strong Irish multinationals. Overall, the sector has consistently remained internationally competitive for many decades (O'Leary, 2015, pp. 91–6).

Irish tourism is under-researched by economists. The Irish tourism proposition appears to be unique and has made Ireland an attractive location for foreign visitors. The nature of the activities involved in tourism, by definition, links the sector with a range of other sectors in every region of the country. However, the small size of enterprises, the high level of regional dispersal and the lack of an institutional focus on developing a business environment that supports this sector raise questions about whether it has achieved its full potential (O'Leary, 2015, pp. 108–11). It is notable that the sector is under the aegis of the Department of Transport, Tourism and Sport, which is not viewed as

one of the mainline economic ministries of government. Despite these disadvantages, the sector is internationally competitive.

Going forward, it is worth asking whether there is a need to address this key weakness in Irish economic development. Unlike many other comparable countries which have had no choice but to develop on the back of key indigenous enterprises (for example, Finland and Nokia, etc.), Ireland has been able to develop through the attraction of already established enterprises from other countries to locate here. Doubts have long been expressed on the risk that these enterprises may easily relocate. However, while some have left, a great many have remained. Indeed, some enterprises such as Apple have been in Ireland since 1980.

Yet the future looks uncertain. In these circumstances it would be foolhardy for policymakers not to address one of its key weaknesses. Improving the nation's ability to develop successful indigenous enterprises in sectors dominated by foreign-assisted enterprises could not only support the success of these enterprises in Ireland but also potentially help to replace them if they leave. In addition, developing strong indigenous enterprises in food, tourism and other sectors would clearly stand to Ireland's advantage.

In order to fulfil this goal, a second, related weakness would need to be addressed. This is the policy failure to see city regions, towns and rural locations as drivers of national competitiveness. This weakness is now outlined.

Failure to adopt a hierarchy of city regions, towns and rural locations as drivers of competitiveness

It has long been evident that Irish policymakers regard regional policy as being about redistribution rather than as a key driver of Irish competitiveness (O'Leary, 2003). Regional development was seen to be about 'spreading the benefits of national development more widely across regions' (Government of Ireland, 2000). Over the last three to four decades there have been endless, and meaningless, revisions of regional boundaries. During the 1980s and 1990s the objective was to maximise Ireland's share of EU Structural Funds. As a result eight regional authorities were formed. Predictably, this layer, positioned between national and local government, was under-resourced and not designed to be effective. Subsequently, the success of the Celtic tiger resulted in five regional authorities failing to qualify for Objective 1 funding. The result was the addition of another ineffective layer in 1999, with the formation of two regional assemblies.

These regions have subsequently been replaced by three revised assemblies: the Eastern and Midland Region, containing the Dublin city region; the Southern Region, containing the Cork, Limerick and Waterford city regions; and the Northern and Western Region, containing the city region of Galway. Each of the revised (and the old) regions contains city regions, towns and rural areas. While the *National Spatial Strategy* (Government of Ireland, 2002) did introduce the concept of the urban hierarchy for the first time in Ireland, by having eight gateways, it failed to prioritise. Moreover, it was never fully implemented.

When it comes to defining meaningful city regions in Dublin, Cork, Limerick, Galway and Waterford, the problems have been more severe and are very slow to change. For example, in Cork the boundary between the city and county continues to lie in the middle of the city's suburbs. Efforts to revise the boundaries have been mired in dispute. The latest proposal is that Cork city should be extended to the west and north but not to the east or to the south-east commuter towns located in or near its port. This proposal is clearly inadequate.

Of course, the reason for these misguided policies is that the problem is not framed in terms of the best definition of a city region for it to reach its growth potential, thereby contributing to national prosperity. Instead, each city authority is pitted against its own county or adjoining county authorities. The dilemma is, then, how much any proposed city boundary change will 'take from' the resource base of these authorities. By framing the question in terms of redistribution, policymakers have undermined the ability of Irish city regions to reach their growth potential. It also reflects a political process which continues to favour rent-seeking by local interests at the expense of future local, and therefore national, competitiveness.

This policy mindset pervades all our cities and towns. Indeed, it reflects a governance problem that is pervasive at all levels of Irish government. This lack of institutional learning is the subject of the next sub-section.

Lack of institutional learning

In an evaluation of the Irish policy mindset in relation to economic development, O'Leary (2015, pp. 165–77) argues that recurring policy mistakes and system failures are due to a tendency of the political system to favour rent-seeking and the problem of over-centralisation. Rent-seeking occurs where government succumbs to, or actively

supports, lobbying by vested interests that merely redistributes, rather than grows, national productivity. There have been numerous examples of the damaging effects of rent-seeking (O'Leary, 2015, pp. 144–63). In relation to Ireland's social partnership model, which received many plaudits during the Celtic tiger period, there is strong evidence to suggest that public pay awards agreed after 2002 without any increase in productivity contributed to Ireland's loss of competitiveness to 2007. This problem was not new. During the 1980s, wage bargaining in Ireland was afflicted by rent-seeking, with small groups of unionised workers pursuing self-interest at the expense of the economy as a whole. Honohan & Walsh suggested that the problem could only be solved by a 'dismantling of encrusted attitudes and behaviour on the shop floor' (2002, p. 52). The underlying problem has never been addressed, with the result that it re-emerged in the 2000s, and is likely to feature again in the future.

Rent-seeking by special interest groups, such as trade and professional associations and oligopolistic enterprises in concentrated industries, has long been alluded to as a negative force in Irish economic development. In relation to indigenous enterprises in traded sectors Culliton pointed out that the competitive edge of Irish industry was blunted as productive energy was distracted by the search for tax breaks and grant assistance (1992, p. 22). In sheltered sectors there were repeated warnings by the National Competitiveness Council about the high cost of doing business in Ireland in sectors such as electricity, mobile telephony, water, IT and legal fees. Indeed, the 'memorandum of understanding' with the troika in 2010 urged the Irish Government to remove restrictions to competition in the legal, medical and pharmacy sectors.

Finally, in the construction sector there is plausible evidence to suggest that the symbiotic rent-seeking nexus of political parties and property developers had a major role to play in the 2007 recession. Indeed, the conclusion of the Mahon Tribunal on planning irregularities pointed out that 'corruption in Irish political life was both endemic and systemic. It affected every level of government' (Government of Ireland, 2012, p. 1). This indicates the gravity of the problem. The lack of institutional learning arising from the repeated problems caused by rent-seeking over many decades is disheartening. It is widely accepted that the Irish state is highly centralised with an unusually strong concentration of powers in the hands of the government of the day (Hardiman, 2012, p. 16). According to Lee (1989), the thrust of central government after independence was to

restrict the scope of local government and to centralise control over financial resources. This tendency has persisted, with, for example, the OECD (2009) reporting that, compared to other OECD countries, Ireland is a clear outlier in terms of the extent of its centralising tendencies.

It has long been recognised that the over-centralisation of government has led to the problem of institutional disintegration. This malaise is eloquently explained in a report by Muintir Na Tíre, authored by three eminent thinkers, Michael Bannon, T. J. Barrington and Basil Chubb:

> The development of our highly centralized system of government has led to the growth of distinct, single purpose, functional bodies – the departments and offices – and the birth of others – state sponsored bodies – and the increasing drift way from multi-purpose, geographical bodies – the local authorities. This is a drift from territory as an integrating force, to function, which whatever the gains from specialization, is a disintegrating one. (Muintir Na Tíre, 1985, p. 51)

There can be little doubt that this tendency to centralise has remained ever-present. The lack of integration is evident through the lack of joined-up thinking on the ground, with the result that the quality of public services on offer is poor. Examples abound in areas such as transport, health, water supply and broadband. In health, long waiting times in Irish hospitals could, at least partially, be explained by health services being managed by a highly centralised and specialised Health Service Executive, which is excessively bureaucratic but also far removed from the problem.

Given the long-standing nature of these problems, the lack of institutional learning is a major concern. The recurring crises in the late 1950s, the early 1980s and the most recent severe crisis following 2007, which necessitated a bailout by the International Monetary Fund, European Central Bank and EU Commission, seem to have made little difference. Irish politics, where the electoral system favours parish-pump politics, where the parliament is dominated by the executive and where the electoral cycle favours short-termism, forms part of the explanation for the inertia, along with the deferential attitude displayed by public servants towards their political masters (O'Leary, 2015, pp. 165–77).

Three proposed policy solutions

In this section three policy solutions are proposed for each of the three problems identified. Just like the problems, the solutions are interrelated. For example, addressing the failures of regional policy may assist in developing internationally competitive indigenous enterprises. Similarly, the problem of rent-seeking, which has been likened by Baumol (1990) to unproductive entrepreneurship, may be overcome by prioritising productive entrepreneurship in Ireland.

The next sub-section deals with the first of the problems identified in the previous section.

Develop critical masses of internationally competitive indigenous enterprises using a bottom-up, organic process

There is little reason to believe that the total supply of entrepreneurship in Ireland is inadequate owing to some innate characteristics of the Irish (Kennedy, 1995). Large numbers of Irish emigrants have not shown any lack of enterprise abroad. Moreover, the large levels of inward migration in the last two decades suggests that the Irish workforce is becoming increasingly diverse, resulting in improved levels of entrepreneurship. In the mid 2000s the rate of entrepreneurial activity in Ireland compared favourably to other European economies (O'Gorman & Fitzsimons, 2007).

This suggests that the key issue is not perhaps the level of entrepreneurship but rather the mix of productive and unproductive entrepreneurship in Ireland. The former adds to national productivity while the latter redistributes it. Unproductive entrepreneurship is equivalent to rent-seeking. Some of its attributes, such as cunning and shrewdness, are also found in entrepreneurs who are engaged in productive activities. A certain amount of rent-seeking is likely to occur in all economies. Unfortunately, as argued in the previous section, Ireland seems to have a disproportionately large share of it. The balance needs to be tipped in favour of productive entrepreneurship by prioritising the development of critical masses of internationally competitive indigenous enterprises as a bottom-up, organic process.

The notion of bottom-up development is not something that sits easily in Ireland. The dominant policy mindset has been for IDA Ireland to deliver economic development top-down through its pipeline. IDA Ireland is a world-class organisation. It has

successfully developed an expertise in, first, identifying established enterprises in target sectors in other countries that are involved in exporting and, second, attracting them to locate some operations in Ireland. The winning formula of 'picking winners' has been replicated in Enterprise Ireland, Ireland's agency for promoting indigenous industry.

Bottom-up development is not about picking winning enterprises. It is more about helping to create an environment that fosters the emergence of successful enterprises, and backing these enterprises. This requires building a detailed evidence base, interacting closely with potential entrepreneurs, micro-businesses and more established enterprises, and challenging them to grow into successful export-oriented enterprises. More fundamentally, this necessitates an appreciation of the nature of productive enterprise and its importance for sustaining Irish prosperity. By definition it needs to be decentralised as local people are best placed to harness local potential in order to build successful enterprises.

This development process is also organic in that potential winners can arise in the full range of enterprise sectors and not just those, such as high-technology or knowledge-intensive sectors, that are favoured by governments at the expense of other sectors. What would be wrong with places in Ireland developing deep concentrations of internationally competitive indigenous enterprises in organic food or cycling tourism? The evidence suggests that the probability of acting entrepreneurially by introducing a new product or service is not significantly higher in high-technology sectors compared to other sectors (Doran & O'Leary, 2011). The key point for policymakers is that, in a bottom-up development process, success is unpredictable, and has to be identified and actively supported.

Therefore, building on our strengths, the objective of policy should be to develop indigenous enterprises that are linked to existing concentrations of foreign-assisted enterprises in pharmaceuticals, ICT and finance, and in the emerging foreign-dominated sectors that are increasingly being attracted by IDA Ireland. In addition, and just as important, policy should facilitate the emergence of enterprises linked to existing concentrations in food and tourism, as well as building new ones in these and other sectors.

Key to the success of a bottom-up, organic development process is the need to decentralise to appropriately defined city regions, towns and rural areas. This is the subject of the next sub-section.

Deciding on the optimal spatial boundaries for city regions, towns and rural areas

Irish policymakers should embrace the notion of the urban hierarchy which, in principle, was introduced in the *National Spatial Strategy* (Government of Ireland, 2002). However, as outlined in the previous section, the *National Spatial Strategy* had too many gateways. In addition to Dublin, Cork, Limerick, Galway and Waterford, it also included Sligo, Letterkenny and a triangular gateway in the midlands consisting of Mullingar, Athlone and Tullamore.

To plan Irish economic development to 2040, it is necessary to operationalise the concept of the urban hierarchy. This involves first deciding that Dublin, as Ireland's only major city, is at the top of the hierarchy. The National Planning Framework (Government of Ireland, 2017) shows that the spatial spread of the Dublin city region has extended to Louth, Meath, Westmeath, Kildare, Laois, Carlow, Wicklow and Wexford, and also partially to Cavan, Longford and Kilkenny. This grossly excessive spread has been facilitated by poor planning. Moreover, including this hinterland in the Dublin city region would mean that it would comprise a total of between twelve and fifteen local authorities (i.e. between the eight and eleven above plus the four local authorities inside Dublin county). Clearly, this arrangement is far too fragmented.

Policymakers in general, and politicians in particular, have clearly been part of the problem in terms of the excessive spread and the fragmented nature of the institutional arrangements in the Dublin city region (and in Ireland as a whole). They must show genuine leadership to be part of the solution. From an economic development perspective, what is needed for Dublin is one authority responsible for the economic development of Ireland's largest city region. A key question for policymakers to address is how far should the city region extend in 2040? Clearly, it should extend far beyond the boundaries of County Dublin, but probably not as far as Cavan, Longford and Kilkenny. This decision should be informed not only by the definition of functional economic areas based on existing commuting patterns but on considerations such as what the desired commuting distances should look like in 2040, if Dublin is to fulfil its potential.

The next step is to decide on the second-tier cities. In Cork, Limerick, Galway, and perhaps Waterford, boundary disputes need to be set aside and meaningful city regions defined from an economic development perspective. Once again, this should involve defining functional economic areas based on desired commuting patterns. In

the case of Cork, for example, the boundaries of Cork would in all likelihood extend in all directions, not only to subsume the towns in its port but also to include towns in the wider hinterland, where a critical mass of residents commute to Cork.

It is important that past mistakes are not repeated, with too many second-tier cities being identified. Following Parkinson et al. (2015), second-tier cities, which are further down the urban hierarchy than the capital city, must be sufficiently important in terms of economic performance to affect overall national performance. It is extremely unlikely that any midland town or Sligo or Letterkenny, or perhaps even Waterford, which were selected as gateways in the *National Spatial Strategy* for political reasons, would ever make the cut as second-tier cities.

Moving further down the hierarchy, for third-tier towns the decision is whether to link to Dublin and/or second-tier cities, or whether they should act as hubs serving their adjoining rural areas. For example, Mallow might decide to link to Cork and Limerick, while Killarney might act as a hub for south Kerry. Once again meaningful boundaries need to be defined for these towns.

Finally, at the bottom of the hierarchy are rural areas, both coastal and inland. These should not be defined in terms of antiquated county boundaries. Instead, there should be a realisation that coastal areas have more in common with each other than they do with city regions. For example, Castletownbere has more in common with the Iveragh and Dingle peninsulas than it does with the Cork city region. Similarly, inland areas that are not part of the city regions of Dublin or the second-tier cities should be put together even if they belong in separate counties. In short, both coastal and inland rural areas need integrated rural development strategies. Ancient county boundaries are irrelevant for these purposes.

Having decided on the optimal spatial boundaries it is imperative that the Dublin and second-tier city regions support clusters of internationally competitive sectors by fostering strong supply-chain linkages, building skilled labour pools and connecting to both related industries and strong institutions. It is also crucial that these city regions deliver strong urbanisation economies. These include fast and efficient transport and communications facilities, general pools of labour with diverse skills, competitively priced business services, high-quality public utilities (such as health and education) and the full range of amenities that go to make up a thriving modern city. Clearly, diseconomies, such as congestion, which have a negative effect on both

enterprise productivity and the quality of life of residents, would have to be lessened.

By building strong cluster effects and durable urbanisation economies in Irish city regions, the sustainability of the international competitive advantages enjoyed by the enterprises choosing to locate in them would be greatly enhanced. This is worth doing even if the dominant existing strategy of using tax advantages as an inducement to locate in Ireland is not undermined by 2040. It would deepen the competitive advantages of industries such as pharmaceuticals, ICT, financial services and parts of the food industry already concentrated in our city regions. In the case of smaller food enterprises and, by definition, all of tourism, the location of internationally competitive enterprises is likely to be more regionally dispersed. This implies that in addition to Dublin and the second-tier cities, third-tier towns and rural areas would also need place-based strategies for building clusters of international competitive enterprises in these and other sectors.

Introduce decentralisation of control and responsibility for enterprise development to elected authorities in city regions, towns and rural areas

Following on from the preceding sections, it is clear that new institutional arrangements are required to promote bottom-up enterprise development in Dublin and our second-tier cities, and in our towns and rural areas. Implementation would require decentralisation of control and responsibility for enterprise development to elected local authorities having tax-raising powers. An enterprise development tax would need to be levied on citizens in order to ensure that elected politicians are held responsible for the successful delivery of local enterprise development plans. The other business of local institutions, such as public housing, planning and amenities, would continue.

Giving local institutions more political control and responsibility would, however, be a force to bring about greater coordination of services offered by centralised departments, thereby improving the quality of services they offer locally. This would be especially important in areas such as transport and communication infrastructure that affect local enterprise success. In political terms, this revival of local government might, after some time, spark moves towards a slimmed down Dáil, focusing on national policy, thereby lessening the grip of parish-pump politics in our national parliament.

By using geography as an integrating force, we would be better able to harness local potential, thereby improving national performance.

This bottom-up approach would be focused on developing critical masses of indigenous enterprises that might have the potential of becoming internationally competitive. All sectors would be considered and, rather than picking winners, policymakers would back winners based on strong evidence of likely success. This requires that all city regions, towns and rural areas be resourced to build capability to back winners. It involves investing in building an evidence base and developing the know-how to conduct the research needed to back winners. Unfortunately, there is a dearth of this know-how in Ireland.

As an outcome of this process we might see, for example, towns and rural areas such as Dingle and its peninsula developing tourism, while the Waterford city region might develop enterprises in food and related products. The focus of activities would not necessarily be confined to food and tourism (although these categories are quite broad). Other activities, such as horse breeding or animation might be chosen by cities, towns or rural areas if there is sufficient evidence of enterprise potential for local policymakers to back them.

The focus in many city regions is likely to be on sectors dominated by foreign-owned enterprises. To the extent that the IDA pipeline will continue to flow by 2040, the challenge here would be to facilitate genuine clustering of indigenous enterprises around foreign-owned enterprises. In this scenario IDA Ireland would continue to attract foreign-owned enterprises to Ireland. City regions wishing to host concentrations of multinationals in particular sectors would compete among themselves for inward investment under the auspices of IDA Ireland. The winner would be the city region that would offer inward investors the best advantages, which might include not only the presence of vibrant indigenous enterprises in the same or related sectors but also perhaps the availability of specialised infrastructure and human capital and attractive places for people to live.

The result of the adoption of bottom-up development might be that city regions would have deeper and more sustainable competitive advantages as a result of specialising in selected sectors. Regions would become identified with particular sectors. As a result of each of them building more sustainable competitive advantages, Ireland as a whole would benefit. This contrasts with the current situation, where there is a distinct lack of regional identity in relation to economic development. Existing regions have markedly similar economic strategies. They have little control and are not directly responsible for

economic performance. They all look to central government to supply solutions top-down. Failure to use decentralisation to appropriately design urban and rural spaces with the aim of driving national prosperity has been a missed opportunity by Irish policymakers for many decades. It is never too late to plot a new course.

The viability of these proposals is in doubt if rent-seeking – which, as outlined earlier, has been a deeply destructive force in Irish economic development for many decades – is allowed to get in the way. The antidote to rent-seeking is institutional learning (Olson, 1982). It is not sufficient for politicians and policymakers to confess that mistakes were made and to pledge that they will not be repeated. Clearly, that has not worked in the past. Adopting the reforming proposal in this paper to decentralise control and responsibility for enterprise development to elected politicians in newly formed city regions, towns and urban areas will help address the problem.

Rent-seeking has been so harmful because of a wide-ranging lack of appreciation of the importance of enterprise development. By not having a critical mass of citizens that appreciate the centrality of developing successful enterprises for national prosperity, we have an excessive tolerance for rent-seekers. Decentralising the enterprise development function to the newly formed city regions, towns and urban areas will attract citizens who are either directly or indirectly involved in enterprise development to elected office around the country. This would help to tip the balance against rent-seeking or unproductive entrepreneurship in favour of building national prosperity on the back of more productive entrepreneurial effort. As a result, by 2040, Ireland would come closer to fulfilling its potential so that enhanced levels of economic prosperity would be delivered, and also the journey there would be less crisis prone. With greater economic prosperity our country would be in a better position to deal with the social and environmental challenges it faces.

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