It could be said that the global economy at present is characterised by 'financial hangxiety'. Anyone who has been to a late spring / early summer barbecue and suffered from the after-effects of beer, wine or aperol spritz the next morning, and the dread of the working week that lies ahead, will probably know what hangxiety is. With the financial version, consumers are experiencing the effects of rising food and utility bills and resulting nervousness about the state of their household finances going forward. This is particularly true for those mortgage holders due to see a surge in their mortgage payments in the coming months and years.

Governments and markets aren't immune to the effects of financial hangxiety either and this is currently on display with the ongoing negotiations about raising the US Federal debt ceiling. If there isn't cross-party agreement to increase government borrowing, in short, this will lead to government shutdown, potential market chaos, and government failure to pay its bills. The hope and expectation is – as has almost invariably been the case – that a crisis will be avoided and that this will help ease some of the anxiety in financial markets. In some respects it's a bit of a sham fight between the two big parties, as the US, the most powerful economy in the world, has the ability to get itself out of the problem in essence by getting the Federal Reserve to print more dollars.

In Northern Ireland, we almost have the converse situation – a government shutdown is part of the cause of fiscal hangxiety rather than being just an outcome of it. However, having no functioning NI Executive is making dealing with the headache worse and leading to a potential perma-hangover that we can't get out of. No Executive meant no in-year monitoring round which leads to reallocation of in-year spending and the absence of this contributed to a significant over-spend. And unlike the US, Northern Ireland can't just print more money. There are many sham fights in Northern Ireland, but the budget constraints are very real.

Northern Ireland recently marked 25-years since the signing of the landmark Good Friday Agreement. In the agreement, there is much to be grateful for, but one of the things that we haven't been able to achieve is stability in the institutions. Alongside that we haven't had stable and sustainable public finances. They have never been on a stable path and have lurched from one sticking plaster to the next. The long-term health of the public finances has never been prioritised but instead short-term fixes have been the medicine. NI has clearly suffered from the lack of multi-year budgets which has encouraged short-term fixes over long-term investment and public sector reform.

The absence of an Executive led to the NI Secretary of State Chris Heaton-Harris imposing a budget at the end of April. This improved things at the margins in that there is now certainty in the budgets for the remainder of the year. But he didn't provide financial Berocca and much needed financial rehydration. What he wants to see is the unsustainable fiscal lifestyle that Northern Ireland has been leading to change by making reform unavoidable. Northern Ireland has for too long taken the position of not raising enough revenue to meet its spending nor actively cutting its spending, but rather looking across the Irish Sea to Westminster for more money. Northern Ireland has kept taking the position that “diet starts Monday”. That approach has continued for 25 years but hasn’t worked. We haven’t become leaner, fitter nor more agile. Northern Ireland’s obsession with maximising the Block Grant rather than maximising good outcomes needs to be reversed with a new-found focus on outcomes. Financial ‘hair of the dog’ has prevented us from better government.

As Northern Ireland Chamber of Commerce CEO, Ann McGregor, said recently, the time has come to have a meaningful debate about how NI is funded from Westminster to put us on a pathway to transformation. We just can’t continue on the road we have been on. The shaky political institutions and the shaky financial situation needed reinforced. Financially, there needs to be more strings attached to public spending such as ringfencing monies for investment and incentivising good policy behaviours.

The current financial challenges in NI will be creating political hangxiety. As things stand, incoming Ministers will have in-trays from Hell, with budget pressures and tough decisions the like of which their predecessors never had to face. Rather than doling out devolutionary goodies, they will be in the business of taking them back, reducing public services, and increasing other local charges and taxation. So the Secretary of State will have to play a clever game over the months ahead to ensure the NI political parties are incentivised to go back into an Executive rather than be put off by the scale of the challenges that await. He also needs to ensure that a new NI Executive doesn’t continue on the fiscal path of before.

Given the context, we may also start to see electoral hangxiety, with voters realising that the financial pressures could lead to things like the introduction of water charging and higher rates bills at a time when their mortgage payments are going up. This could spook the politicians, leading to these difficult decisions needing to be taken by the Secretary of State.

History has also taught us that there is always some kind of financial package to get the Assembly back up and running and the reality is that this time might be no different in that respect. However, what we may well see is more strings attached to the deal this time, with the Secretary of State expecting difficult decisions also to be made whenever the politicians get back in. If it’s a choice between ‘cold turkey’ or ‘hair of the dog’, the reality will likely be somewhere in between.