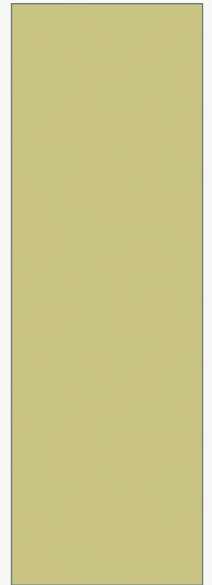


# TOPIC A: IRISH ECONOMIC HISTORY TO INDEPENDENCE

TCD M.SC.(EPS) – RONAN LYONS – EC8001  
IRISH ECONOMIC POLICY ISSUES & CONTEXT



# MODULE OUTLINE

Topic	Title	Eol Ch	Dates
A	Irish Economic History to Independence	1+	MT1-2
B	Irish Economic History since Independence	1+	MT3-4
C	The Economy & Economic Growth	2, 7	MT5-6
D	Public Finances, Debt & Taxation	3, 4	MT8-9
E	The Labour Market	6	MT10-11
F	Social Justice & Inequality	8	HT1-2
G	Regulation & Competition	5	HT3-4
H	Competitiveness & Trade	9, 11	HT5-6
I	Health & Education	12, 13	HT8-9
J	Natural Resources & Real Estate	10, 14*	HT10-11

# ADMIN

- Lectures: Fridays, 10.30-12.00 both (MT, HT) terms
- Contacting me...
  - Offices Hours: Wednesdays, 10.00-12.30 (MT)
  - More practically, by email: [ronan.lyons@tcd.ie](mailto:ronan.lyons@tcd.ie)
- Assessment:
  - MT: of 5 essays, do 2 – 1100-1200 words (20%)
  - HT: of 5 essays, do 1 – 2500 words (20%)
  - Exam: answer 4 questions from a choice of 8 (60%)
  - Full details to follow

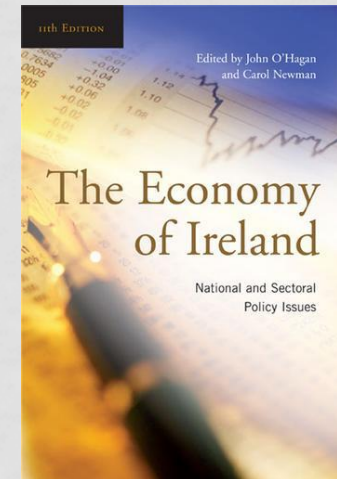
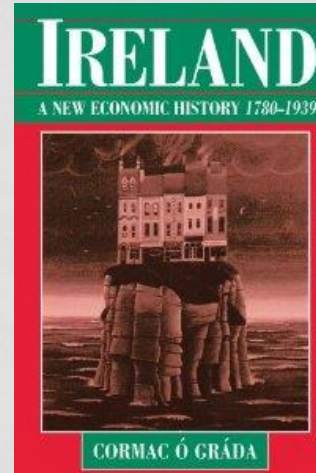
# TOPIC A: STRUCTURE

## *Irish Economic History to Independence*

- 1. Why bother?**
2. The Irish Economy before Waterloo
3. From Waterloo to the Great Famine
4. The Great Famine
5. The Post-Famine Economy

# TOPIC A. READINGS

- Cormac O Grada, 'Ireland: A New Economic History, 1780-1939'
  - In particular parts II, III, IV
  - Hone your skimming skills!
- John O'Hagan & Carol Newman, 'Economy of Ireland' (12<sup>th</sup> Edition)
  - Chapter 1, Historical Background



# WHY BOTHER?

- Why bother studying economic history at all?
- And why bother studying Irish economic history, especially pre-Independence?



# THE VALUE OF ECONOMIC HISTORY

- Two main reasons why economists are interested in economic history
  - **Context is crucial:** can't understand Ireland since 2007 without understanding the Celtic Tiger economy, which was a product of the Irish economy between the 1960s and 1980s, itself a reaction to the economy of the 1930s-1950s... etc.
  - **Our only laboratory:** to test an economic theory, we must apply it to something that happened (i.e. the past)
- In addition, it's fascinating!

# SOME THINGS NEVER CHANGE?

*"...Strafford, writing at a time [1630s] when the country had enjoyed over thirty years of peace and, with the recuperative power for which Ireland has always been remarkable, had again become quite prosperous, if not contented."*

Edward McLysaght,  
writing in 1939





# A ROAD-MAP FOR THE TOPIC

- Aspects to study
  - Population, Income & Living Standards
  - Land, Agriculture & Trade
  - Commerce, Infrastructure & Finance
- Landmark years
  - 1815 – End of Napoleonic Wars
  - 1845 – Start of Great Famine
  - 1922 – Independence & Partition

# APPROPRIATE METRICS OF SUCCESS

## Pre-19<sup>th</sup> Century

- Economy's success measured by population size or density
  - Cf. numbers living in India or China in 1500s
  - Cf. also how U.S. cities judge success today
- Labour mobility
- Income per capita tied to Malthusian fulcrum

## Post-19<sup>th</sup> Century

- Measure of economic success is income per capita
  - In 2000, \$19,000 in W. Europe vs. \$28,000 in USA vs. \$1,500 in Africa
- Lack of labour mobility
- Income per capita driven by technological progress
  - Density largely ignored... or?

# TOPIC A: STRUCTURE

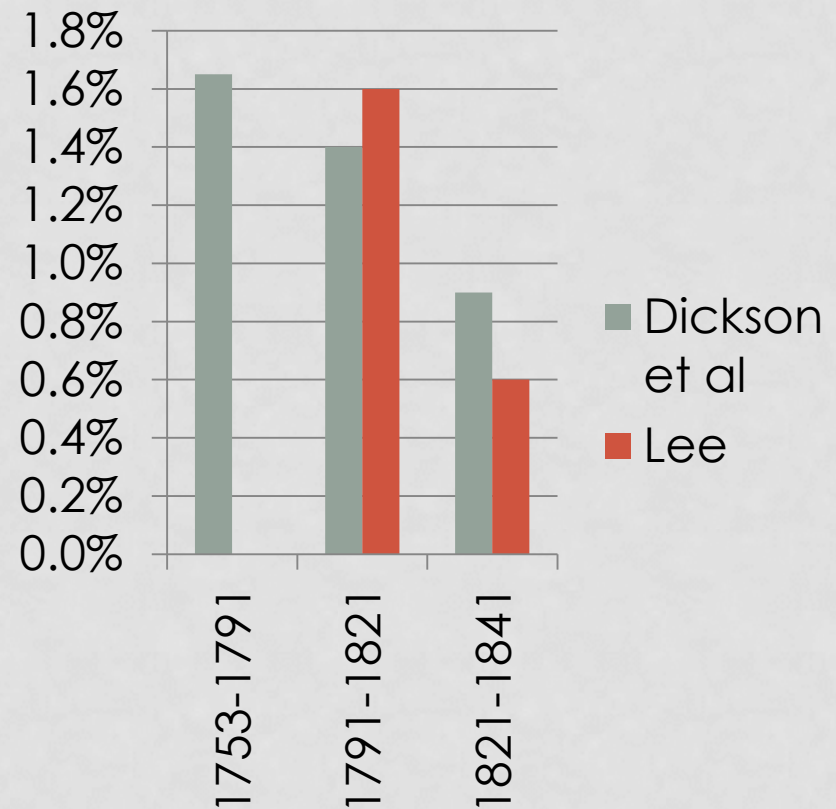
## *Irish Economic History to Independence*

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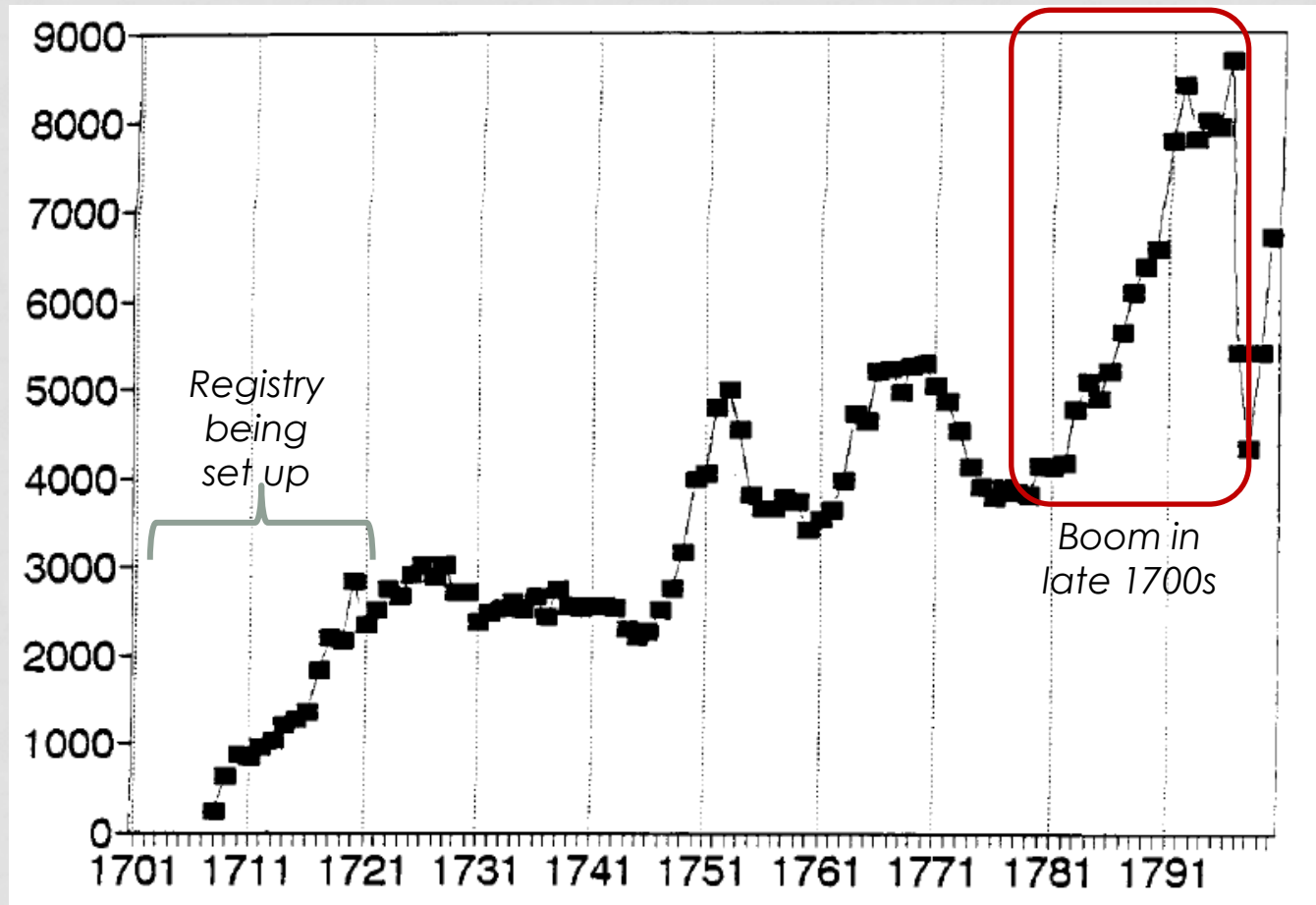
# PRE-1815: DEMOGRAPHICS

- Ireland a demographic outlier in western Europe since the 1600s
  - Case study of the link between people and prosperity
- Rapidly growing pop in second half of 1700s
  - Slow-down pre-Famine
- 1780-1815 “false dawn”?
  - Contemporary opinion: 1780s and 1790s a time of economic progress

**Annual population growth**



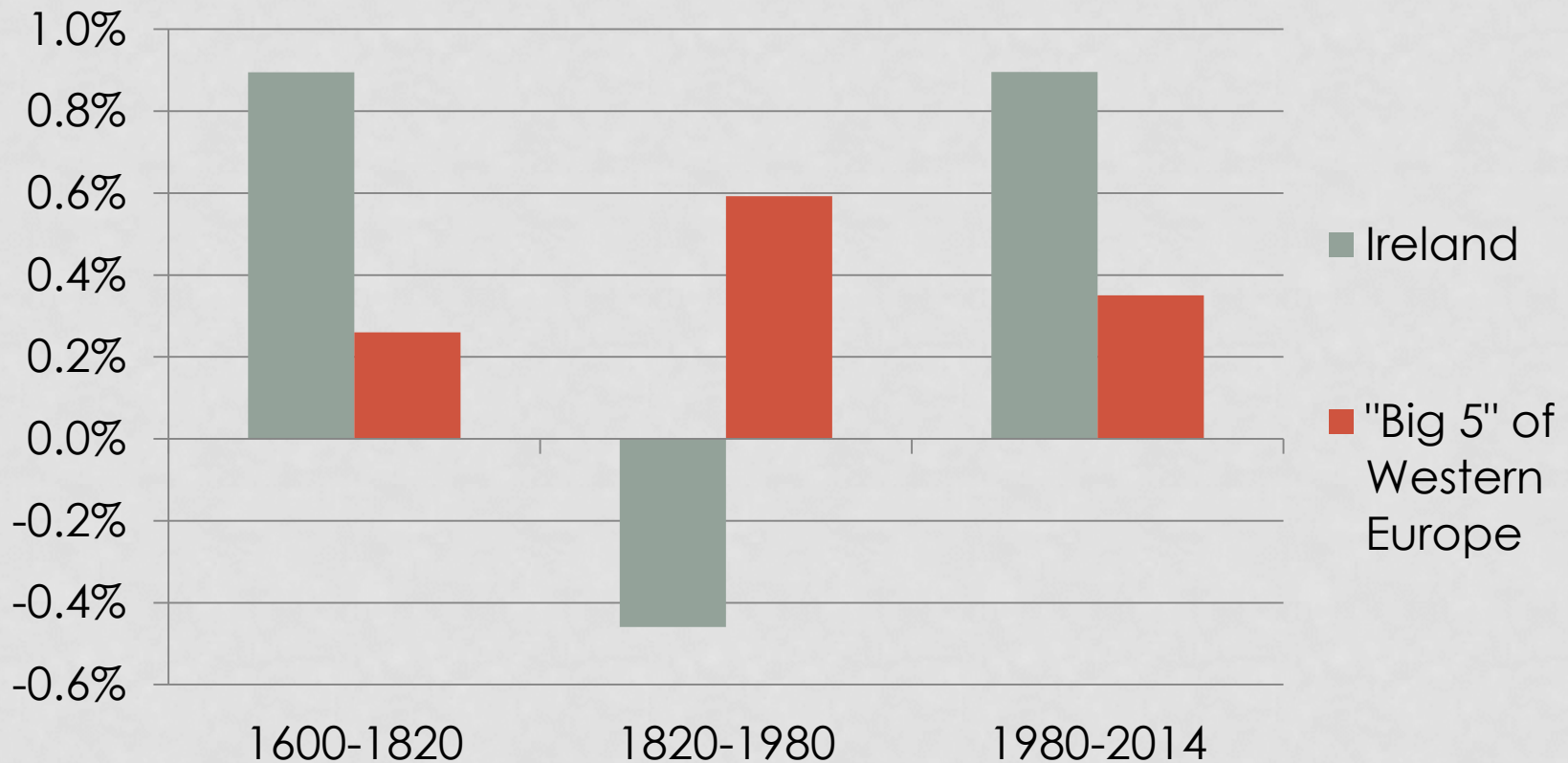
# PROSPERITY SEEN IN PROPERTY MKT



Number of deeds registered by year, 1708-1800

# IRELAND AS DEMOGRAPHIC OUTLIER

## Average annual population growth, by period



# BASICS OF MALTHUSIAN ECONOMICS

- Boost in productivity (e.g. new strain of rice/potato) leads to prosperity...
  - ... which leads to higher population...
  - ... spreading resources among greater pop'n...
  - ...driving incomes back to “pre-boost” levels
- Same logic in reverse:
  - Negative shock (e.g. bad crop) reduces pop'n → ↑ land per head, driving up incomes (and thus births)



*Thomas Malthus (1766-1834)*

# A MALTHUSIAN BASKET CASE?

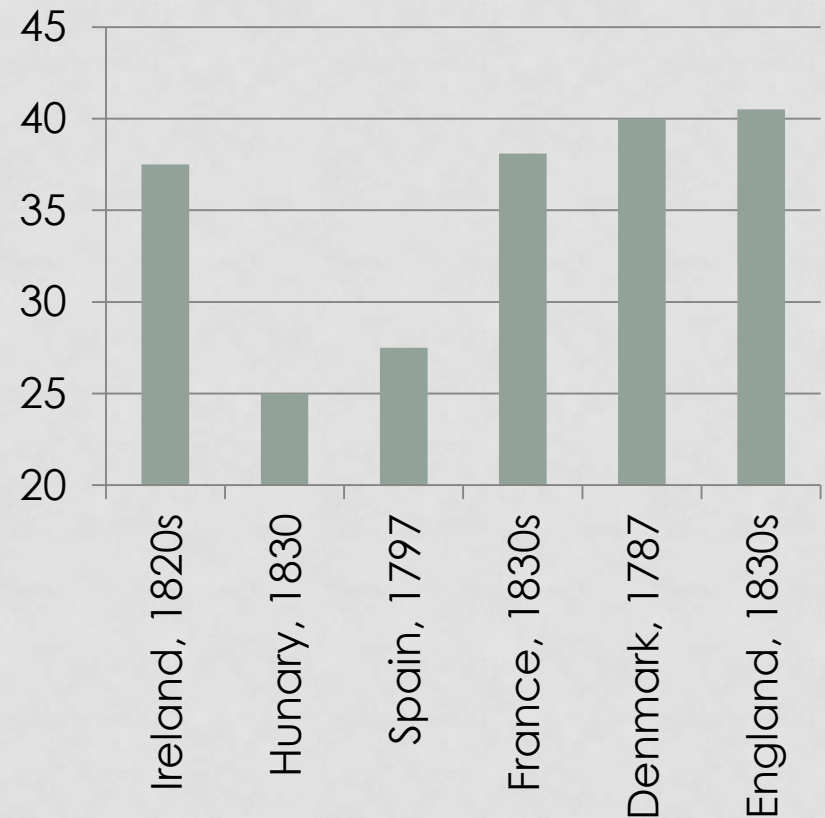
- Two key relationships in Malthusian model
  1. Wages rise with land-labour ratio (technology)
  2. Population growth rises with income
- Did opposite of (2) apply in Ireland?
  - Was there a negative relationship between income and 'nuptiality' (% that married)?
- Measuring fertility
  - Demographers' preferred measure is combination of marital **fertility** (how many children per marriage) and **nuptiality** (how many marriages per cohort)
- Balance of evidence: fertility high but nuptiality low, compared to other countries



# OTHER “SUCCESS METRICS”

- Distinction between farmers and landless poor
  - Poverty, famine hit latter
- Poor dwellings, good diet
  - Reflected in heights of Irish recruits to EIC
- Role of potatoes, turf
  - Labour and seaweed substitute for scarce land
- Limits of wage data – the non-monetary economy
  - Doubling of nominal wages 1780s-1810s... in line with increase in prices

**Life expectancy (estimates)**



# FOUR ZONES OF IRISH FARMING

1. Ranching pastures on limestone of NE Leinster & East Connacht
  2. Dairy lowlands from Kilkenny to W Limerick/Kerry
  3. Tillage triangle between Cork-Wexford-Dundalk
  4. Small farms of Connacht, W Munster & W Donegal
  5. Proto-industrial north/ north-west
- Lens for understanding shocks (e.g. Corn Laws)
  - Persistent!

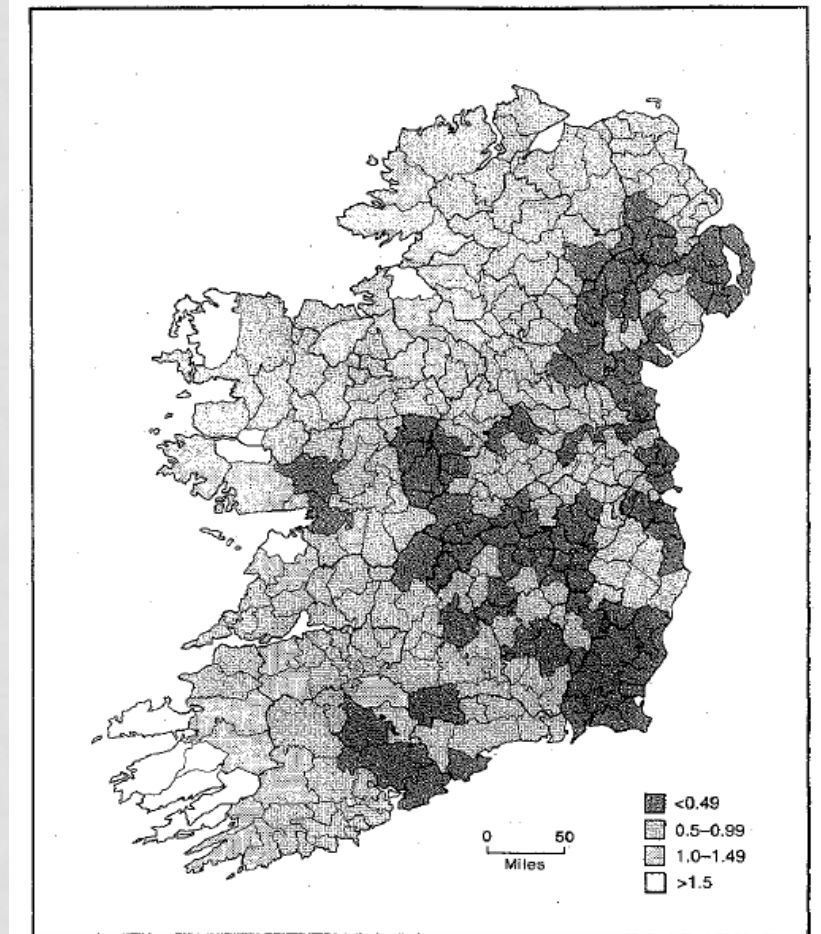


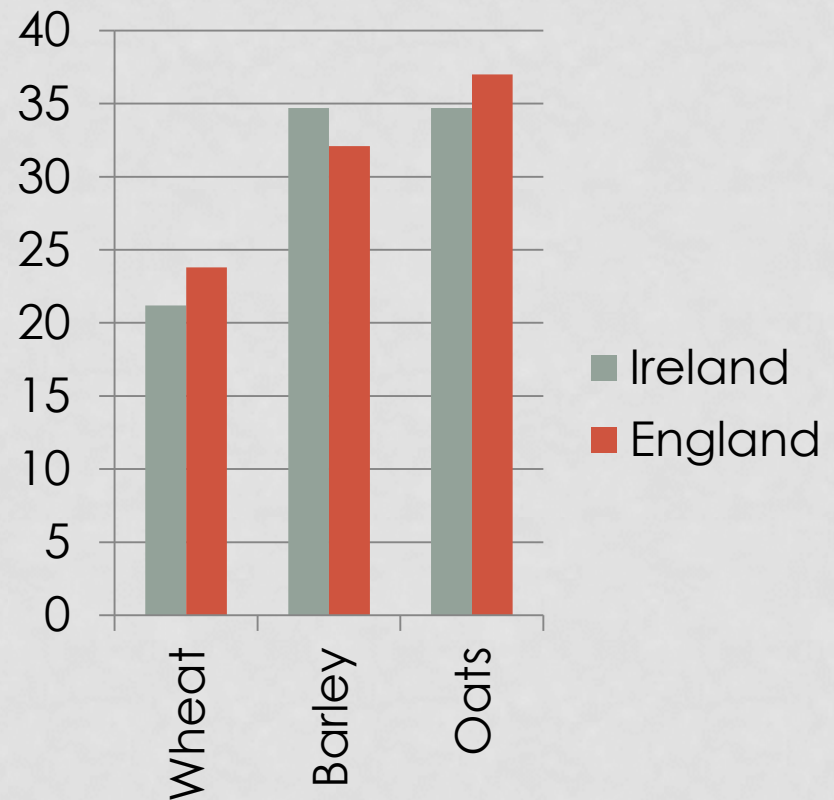
FIG. 2.2 Ratio of cattle numbers to acreage under crops, 1854

Source: *Agricultural Statistics, 1854*

# AGRICULTURE'S WAR-TIME BOOM

- A number of sources on agriculture pre-1815
  - Petty (late 1600s), Young (1770s), Wakefield (1810s) and RDS studies
- High output per acre
  - Likely a function of a high labour input
- Napoleonic War saw boom in agri exports
  - Pasture prices rose 127%
  - Cereal prices rose 92%
- Faster than rent, w ↑s

**Yield per acre, 1770s**



# GROWTH IN TRADE & COMMERCE

- Economic integration typically measured through flows, in particular flows of goods (i.e. trade)
  - Measure globalization through this
- Britain and Ireland became significantly more integrated during 1700s
  - Four-fold increase in trade, vs. ~50% for rest-of-world
  - Ireland comprised 15% of British trade by 1780, vs. 4% in 1700
- Some pull-back from this in 1780s/1790s
  - Promotion of domestic industry by Irish
- Livestock fairs as a measure of commercialization:
  - From 700 in 1660s to 3,000 in 1770s to 5,000 in 1845

# THE ACT OF UNION

- Political (parliament) & economic (customs) union
  - Article 6 allowed 50%/35% tariff on calicoes/muslins to remain for 7 years before falling to 10%
  - Transitional period of protection – all duties to end in 1821
- In retrospect, debt formula far more important
  - Ratio of 1:7.5 (similar to trade volumes), i.e. 1:3.6 in per capita... but relative to per capita incomes?
- 1801-1816: Irish state spent £63m domestically and £97m as contribution to joint expenditure
  - ~1/2 met by tax; no attempt to introduce land, income tax
  - National debt soared £27m to £107m – merged in 1817
- Post-war economic gloom amid agri crisis

# MONEY MATTERS PRE-1815

- Pre-1783: 13s. Irish = 12s. British... notional (no mint)
  - Formally bimetallic, but informally Gold Standard (Newton)
  - Lack of silver meant shortage of small change
- From 1783: Bank of Ireland could issue notes
- 1797: outbreak of war, suspension of convertibility
  - Floating exchange rates, first two years Ir/Br £ both fell
  - 1799-1803, Irish fell relative to British by 10%
- John Foster's 1803 Irish Currency Report: bullionist
  - "Blame it on the paper money"
  - Specie circulation of £3m had to be replaced by paper
- Lack of gold: even wider array of money used
  - Including Mexican/Spanish dollars, company tokens

# IRELAND'S EARLY BANKS

- “Precocious” start to banking after 1690s revolution
  - Failures meant that by 1760, merchants could not be bankers – and no. of partners limited to 6
- Explosion of private banks, could issue small notes
  - 23 in Youghal! A few notorious examples
  - In general, though, needed Bofl stock as reserves
  - Failures clustered in 1814-16, 1820 – typically bad agri years
- Crisis in May 1820: Bofl as lender of last resort
- Ulster pound: Bofl not recognised
  - War meant two exchange rates with London: Dublin, Belfast
- Convertibility resumed in 1821; single UK pound 1826

# TOPIC A: STRUCTURE

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# IRELAND BEFORE THE FAMINE

**George O'Brien (1921)**

vs.

**Joel Mokyr (1983)**

*“The destiny of Ireland in the early 19<sup>th</sup> Century was very largely moulded by the ideas of two great economists, Adam Smith and Malthus, and of the two, the latter was probably the more influential.”*

*“At least as far as pre-famine Ireland is concerned, Malthusian models seem to have little explanatory power.”*

# WHY WE BOTHER (REVISITED)

- Economics, development and famine
  - What can perhaps the world's most famous famine tell us about the economic causes and effects of famine?
- Remember important distinction between farming class and labourer class
  - Trends for country as a whole may be different to trends for poorest labourer class
- About 85% living in rural Ireland
  - Slowdown in population growth at odds with idea that Irish procreated "oblivious to their hardship"
- 1800-01 and 1817-19 famines saw significant deaths
  - But failures of 1822 and 1830 did not

# ROLE OF THE CORN LAWS

- Per-worker output half of UK – higher land/lab ratio
  - Nonetheless, access to same technology, markets?
  - Typical acre rented for ~17s. compared to ~25s.
- High price of tillage due to Corn Laws saw it spread
  - Longford/Roscommon, Antrim, Clare/W. Limerick/Kerry
  - Grain yields also increased ~20% between 1770s and 1840s
- UK-wide protection central
  - From 17% of Britain corn imports in 1790s to 80% by 1830s
- Corn Laws “encouraged and reduced the burden of Irish industrial decline after 1815”
  - Led to not only “too much” tillage, but also too much potato (given its role in rotation)

# IRELAND'S TRANSPORT BOOM(S)

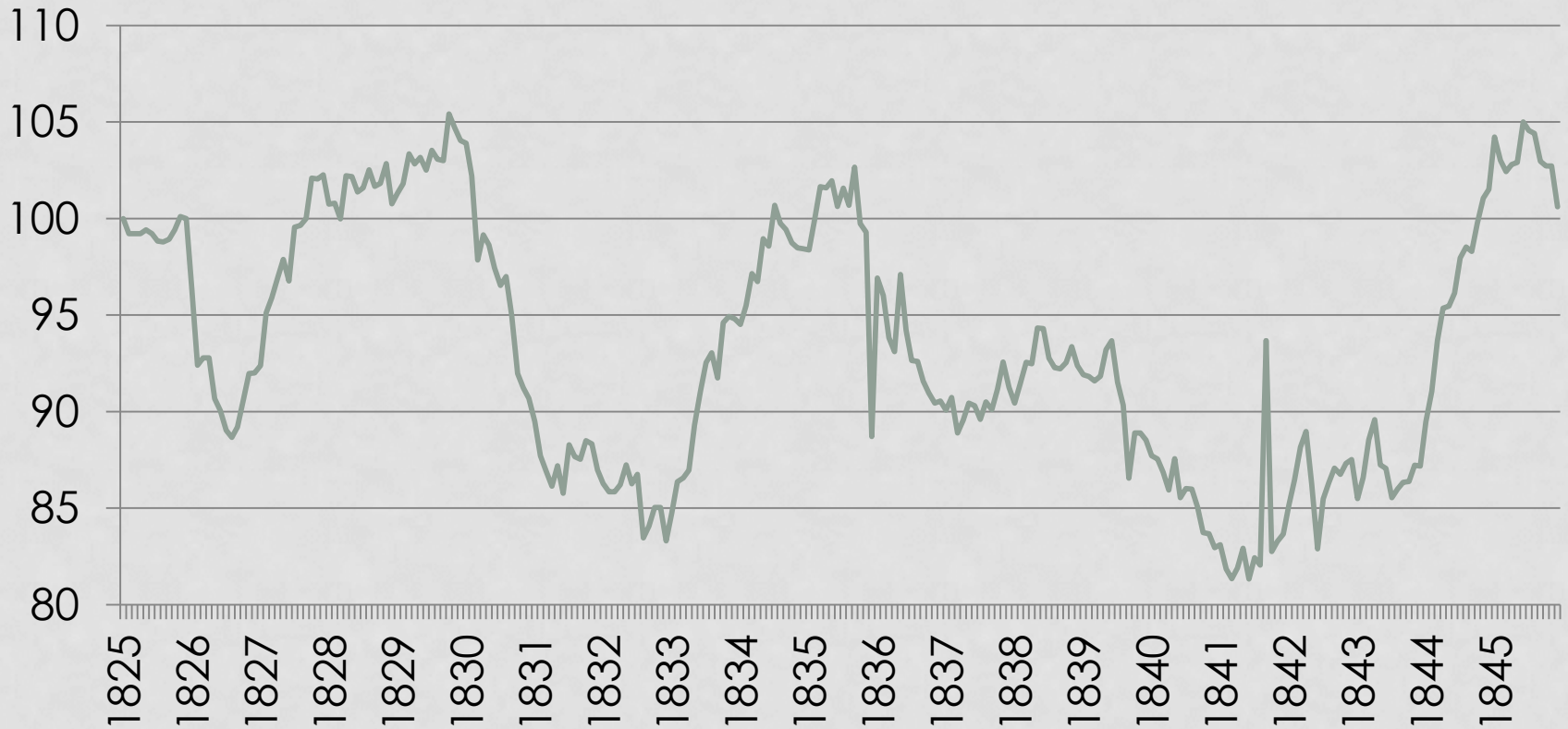
- Underpins market economy (like financial services)
- A mini-boom in **road** infrastructure & mail coaches
  - Regular Limerick-Dublin service by 1760s, Belfast from 1789
  - Belfast-Dublin: travel time from 21hrs (1802) to 14hrs (1825)
- Much less success with **canals** (vs. Britain)
  - Only 1 of 5 could be deemed a success – lack of S or D?
  - Then again, British success down to coal deposits
- A world leader in ferries & **steamships**
  - 1818, Belfast-Greenock; by 1836 Dublin to Liverpool, London and Glasgow
  - By 1840s, 100 regular crossings, with intense fare competition
- **Railway** mania mid-1840s – 17/100 schemes by 1850

# TRANSFORMATION OF BANKING

- Remember: pre-1820s, many small banks
  - Removal of restrictions on # partners, merchants in 1824
- 1825-45: all of Ireland main's banks (except BofI)
  - Northern Bank, Provincial Bank [landlord bank par excellence], Hibernian (all 1825)
  - National Bank, 1830s [O'Connell brainchild and millstone!]
- Upper and middle class clientele
  - Core business was converting rural deposits into urban commercial loans, typically 1-year
- Despite competition, high dividends
  - From 5% (Royal, National) to 10% (BofI, Northern)
- Bank of Ireland still special (LOLR)

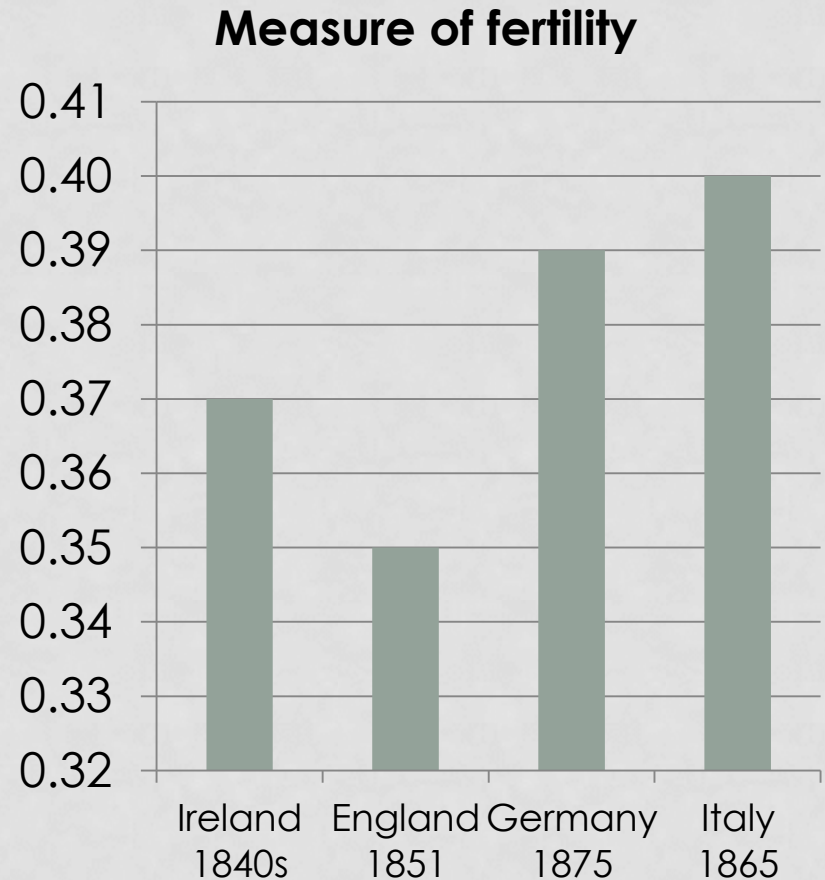
# CYCLES BUT NOT TREND

**Share price index of Irish banks, 1825-1845**



# FERTILITY BEFORE THE FAMINE

- **Fertility:** Evidence from Quakers suggests that marital fertility in Ireland was high but fell between late 1700s and early 1800s
- **Nuptiality:** pre-Famine, a high proportion never married (10-12%)
  - Census 1841 implies increasing marriage age during 1830s – ~15,000 “averted births”



# THE WANDERING IRISHMAN

- Substantial shift in migration after Waterloo
  - Brutal 1740s famine in South: barely any emigration
  - Temporary linen crisis in North: large migration to N. America
  - Exceptions: seasonal migration, fishing (Newfoundland)
- 1815-45 saw 1.5m Irish emigrate
  - Roughly one third each to Britain, U.S. and Canada
  - Highest per capita rate in Europe
- Start of debate about brain drain
  - Vs. win-win for those who leave and those left behind
  - Cf. land-labour ratio



# INSIGHTS FROM CALORIES & SPUDS

- Solar has estimated total calorific consumption
  - 2,500kcal per person per day (3200 per adult male)
- High relative to England, France ~1800
- What about poorest?
  - Depends on inequality – higher implies ~1,500kcal
- Evidence on Lumper potato far from damning
- Quick note on turf: important subsistence fuel



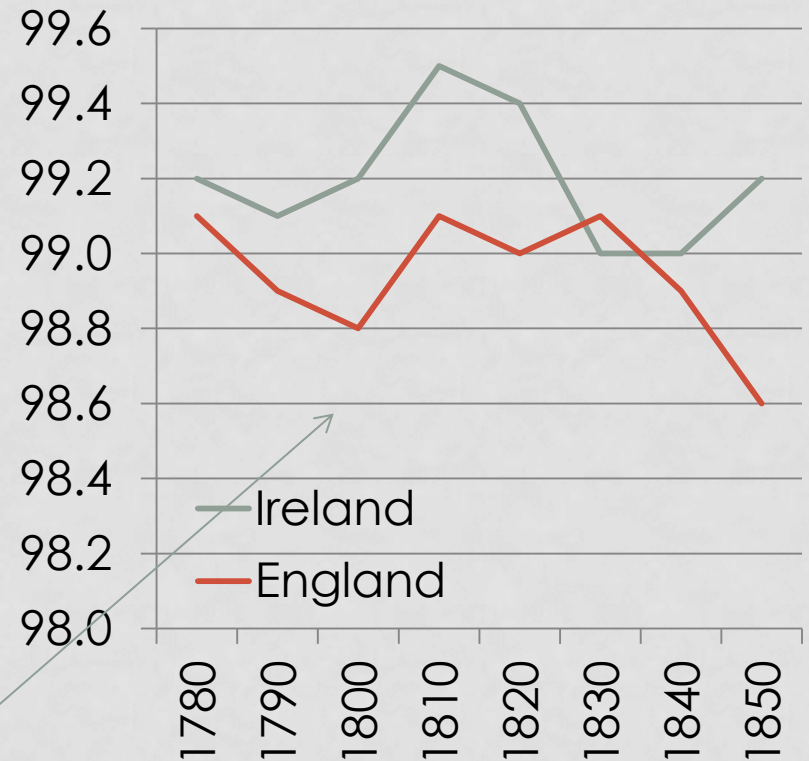
*The Lumper potato: a symbol of impending disaster or bad luck?*

# ANTHROPOMETRICS

- Ireland's "height advantage" seems to have persisted into 1800s
  - Nutritious if boring diet
- Evidence from Philadelphia immigration
  - 1850s, 60s: Irish migrants had heavier babies than other groups

Caveats:  
Who joins the army? What backgrounds/incomes? Do trends in general employment matter?

**Komlos's Index of Heights of Army Recruits**



# THE MISSING APOCALYPSE?

- Per capita income ~40% of that in Britain – similar to much of Europe then
- Wages: fall in wages for unskilled building workers
  - But cost of living also fell
- Consumption: imports of tea, sugar, tobacco
  - No significant fall
- Education: an “income-elastic” good
  - % in school increased
- Average vs. poorest

1840 Metric	Europe (similar incomes)	Ireland
Birth-rate (crude)	39	39
Death-rate (crude)	29	24
% male LF in agri	73%	70%
% male LF in industry	10%	15%
School enrolment	17%	20%
Urbanization	13%	14%

# STUTTERING TO A HALT?

- High-frequency data from the banks show downturns in 1815, early 1830s and early 1840s, as well as 1846-51
- Roy Foster & Ray Crotty: 1815 was the turning point for Ireland, not 1845
  - The Famine merely an acceleration of a downward trend
  - Deindustrialization following union: agri from 40% of exports in 1780s to 62% in 1820s
- But Irish terms-of-trade (price of exports vs. imports) actually improved significantly 1800s-1830s
- Little evidence of economic stagnation pre-1845

# TOPIC A: STRUCTURE

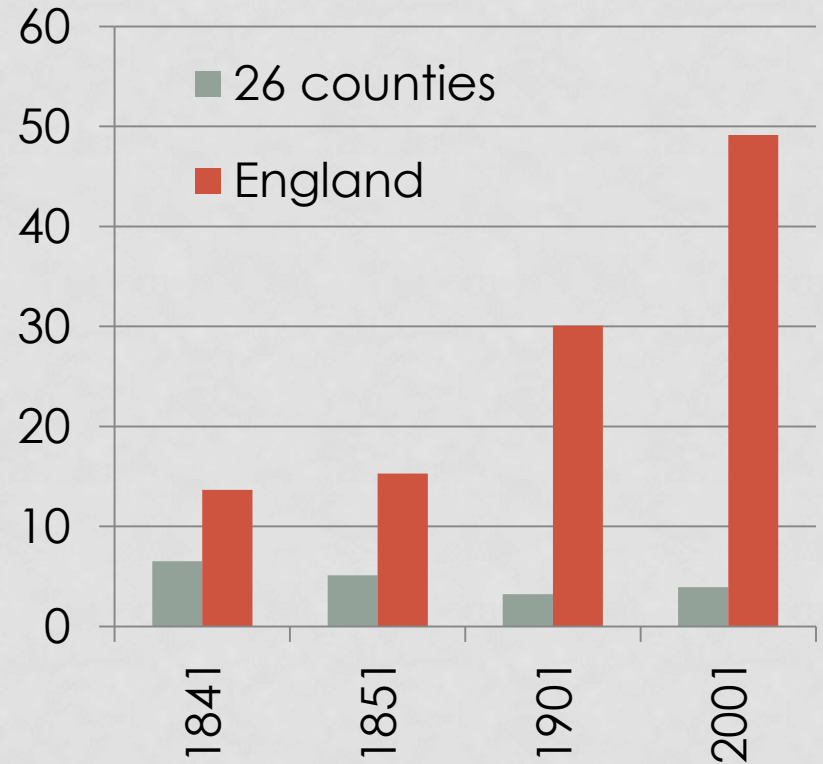
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# BASICS OF THE FAMINE

- 1845: new fungus wiped out half of potato crop
- 1846: near-total failure of crop – excess deaths
- 1847: high yields per acre
  - Given another chance
- 1848: almost non-existent crop
  - Deaths continued to 1851
- Most deaths due to hunger-induced dysentery and typhus

Populations of Ireland & England (m)



# DEMOGRAPHIC TOLL

- Counterfactual: What would population have been without Famine?
  - Excess deaths – numbers converge on 1m
  - Averted births – often forgotten, a further 0.4m
- Half of deaths were of under-10s
  - Household formers of the 1860s
- Regional impact varied
  - Mokyr: perhaps 1 in 4 people in Connacht died by 1851
- Ukrainian famine of 1930s only other recent European famine of similar scale (10-20%)
  - Finnish (1860s), Flemish and Dutch crises less than 100,000

# WHO WAS TO BLAME?

- Government? Landlords? Landless?
- Famine was more likely unpredictable than inevitable – given pattern of crises since 1800
  - Note that 1845 shortfall was just about dealt with
  - Potatoes “stored” in pigs, tougher to transport vs. grain
- “Moralists” vs. “environmentalists”
  - The Economist (est. 1840s): “it is no man’s business to provide for another”
- Belief markets could do more than governments, hence removal of grain import tariffs
  - Board of Works replaced in 1847 with direct food grants (soup kitchens) – as most too unfit to do any work



# BOTTOM-UP RESPONSES

- Ireland was a net food exporter pre-Famine
  - Enough corn, butter and meat to feed population
- Fall-off in calories produced by  $\sim 1/2$ 
  - Not offset by extra corn or livestock
- Robbery, and stealing of cattle and sheep, rose dramatically
  - Vs. rape, which fell dramatically during the Famine
- The landlord response
  - Those who did, those who couldn't, those who didn't
  - Few studies of landlord rent receipts during this period
- As before, farmers vs. landless class

# CROTTY VS. O'ROURKE

- A 45% decline in rural employment 1840s-1870s
  - A shift in labour demand? Or in labour supply?
- Crotty: Famine merely accelerated rural decline in employment
  - Due to shift from labour-intensive tillage to livestock
- O'Rourke: developed model of 1840s Irish economy
  - Shift in prices towards livestock would actually have increased agri employment (by 6%-30%)
  - Extra potato – labour-intensive – needed for animal feed
- Black Death vs. Great Famine
  - No antidote to fungus until 1880s, so a shock to capital productivity as well as to labour supply

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# MORE TO FOLLOW...

- Slides update next week