"Miracles, Mistakes and Misconceptions"
Irish Economic History from 1690 to 1997

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"Those who forget the mistakes of history are condemned to repeat them." In this paper, Carmel Crimmins ponders an analysis of Irish economic history highlighting those areas where lessons have been learnt (and equally where they have not), from the time when Ireland was a colonised nation, through independence, to the present day.

"If men could learn from history, what lessons it might teach us! But passion and party blind our eyes and the light which experience gives is a lantern on the stern, which shines only on the waves behind us"

(Coleridge, Recollections)

History affords us with a simple narrative of events, a clear-cut description of lifestyles encapsulated within our distant (and not so distant) past. As most of us are aware, however, (not least historians themselves) this attractive, evenly-balanced overview can be distorted. History's unparalleled ability to fascinate, captivate, and motivate has all too often caught the attention of normative forces who seek to recreate historical events in their own image for their own purposes. Condensed, contrived, and contorted, these interpretations are often used by proponents of various ideologies to reinforce their beliefs. Nowhere is this pernicious practice more apparent then in our own land, where historical symbolism on either side of the sectarian divide plays an important role in the extension of hostilities. It is in this context that a discussion of Ireland's economic history will be undertaken.

Economic history, as its practitioners will tell you, constitutes that most noble strain of descriptive analysis; facts backed up by figures. Statistical tables, and incontrovertible numerical data enable economic history to rise above normative trivialities. Perhaps most importantly of all, economic history avoids the usual downfalls of exaggeration and hyperbole, a route well worn in an Irish context where exaggeration and hyperbole are national traits.

A study of the history of the Irish economy from 1690 right up to the present day should ensure a long run perspective. To divulge in minute detail the peculiarities of every event, significant or otherwise, that has occurred within this three hundred year time span would be foolish. So as to present a more lucid, concise study of Irish economic history I propose an analysis of events in terms of mistakes made, and lessons learnt. Perhaps such an approach will enhance our appreciation of Coleridge's lament, and allow us to assess Galbraith's contention that as a race the Irish have failed to produce any notable economists!

Ireland as a national setting for the development of historical discourse represents a particularly interesting situation for the economic historian. The country has provided, in its time, a common setting for both British, and indigenous Irish economic policies. This factor ensures that throughout any study of Irish economic history, some comparative parallels are inevitably made between the two regimes; this essay does not claim to be any different. What I do hope however, is that all parallels drawn are done so within the parameters of objectivity.

Writers in the nationalist vein continually highlight the extent to which British hegemony over Ireland retarded our economic development. They point to the restrictive, discriminatory trade acts of the 17^{th} century which they maintain (despite Cullen's protestations to the contrary) paralysed Irish economic growth. With such stern opposition to the implementation of protective economic legislation could one presume therefore, that the Irish themselves, upon attainment of Independence, would not indulge in such a practice? They were aware, after all, that duty free access to the English market for the linen industry had ushered in what Cullen described as "perhaps the most remarkable instance in Europe of an export-based advance in the eighteenth century". Alas for future generations, Ireland like so many student before her, failed to learn her lessons. The appearance of DeValera and the Solders of Destiny onto the political scene in the 1930s instigated what was essentially an "Economic War" with Britain, using a comprehensive system of tariffs as arsenal. Although the conclusion of this political conflict ensured an important moral victory for the Irish psyche, the economic fallout severely hampered our international competitiveness for many years to come.

The Napoleonic Wars during the 1800s should have impressed upon the Irish that the theory "England's misfortune is Ireland's gain" has an economic application quite distinct from the Republican context within which it is most often quoted. These wars evoked a desperate need for food in Britain which greatly improved our terms of trade, and agricultural incomes. Had this lesson been recalled, then perhaps Irish Shipping would have been established earlier, and England's shortage of food during the Second World War exploited to our advantage.

The Great Famine must undoubtedly rank as one of the most traumatic events in Irish history (economic or otherwise). It's causes, results and aftermath have all been subject to intense scrutiny and speculation both inside and outside the economic framework. Joe Mokyr's contention that our failure to industrialise contributed strongly to our excess mortality rate of 3% is of paramount importance; it underlines the failure of the British authorities to prepare adequately for a situation which had happened before, (famines in 1727-30 and 1740-41) and was liable to happen again. Although the particulars of the two situations could not be more removed, the inadequate handling of the fiscal fiasco in the late 1970s and early 1980s bears all the hallmarks of a situation, which like the Great Famine, under inept management spiralled completely out of control. Just as in the context of a famine, what is often required is income support rather than mere injections of food, so also during the 1980s what the situation merited was sincere governmental commitment to fiscal rectitude rather than half-hearted attempts at cutting taxation.

The failure of the Irish economy (with the notable exception of the North-East) to industrialise during the 1880s led commentators to analyse the economy under various headings, including stock of capital, intermediary role played by the banking sector, stock of skills held by the populace, and the level of enterprise. The remarkable aspect of this analysis is not the headings chosen but the extent to which reasons for economic lacklustre in the 1880s were still relevant in the 1980s - some one hundred years later! Our stock of capital, and the cautiousness of our banking sector were deemed to be no different from other nations, while skills were certainly not lacking in the island of Saints and Scholars. What was unique to Ireland however was our low levels of enterprise. Some would argue that the pitiful levels of entrepreneurship present in 19^{th} century Ireland had much to do with British oppression, and while this may well have been the case, having been barred from the professions and politics, the predominantly Catholic populace should have directed their energies towards trade and commerce (as indeed some did).

Instead the Beal Bocht mantle of pity has been passed on from generation to generation providing some clue as to how once removed from the land of their birth, so many Irish people reveal lucrative entrepreneurial skills. This mentality also contributes to our country's prowess as a nation of politicos rather than producers, particularly in relation to grants from the European Union.

The Cumann na nGadheal administration, populated by self-confessed "conservative revolutionaries" promoted economic policies characterised by low expenditure, low taxes, and free trade. This high level of voluntary fiscal discipline is not unlike the involuntary measures presently being honoured by the Irish government for the purpose of entry into EMU, indeed the Cumann na nGadheal government seemed to be anticipating the future in their preclusion of monetary independence in the 1920s. Ironically however, we are presently pursuing entry into a monetary union without Britain, while they were doing the complete opposite. Although the decisions are reverses, in both insistences the public choice seemed clear-cut. In the 1920s, the notion of remaining outside a monetary union with Britain was so ludicrous as not to merit public debate, can we really view the present situation in the same light?

DeValera's utilisation of economic weapons in what was essentially a political dispute gave rise to what became known as the "Economic War", and as we have already observed the conclusion of this episode presented an important boost for the Irish psyche. Perhaps for the first time in history Ireland had asserted herself economically against Britain, it was a crucial indication of the global interdependence afforded by trade, and a practical lesson that political battles need not always be fought in conventional surroundings. Unfortunately for Ireland and more importantly for her future generations, the lessons learned were not applied. Tariff barriers remained at exceptionally high levels (protection of manufacturing reached 80% in 1966) undoubtedly contributing to our economic sluggishness in later years. Just as pre-Famine Ireland's image as a "remarkably violent country" posed as a deterrent to investors one hundred and fifty years ago. The bomb, and the bullet continue to dictate the political agenda in the North, precluding significant investment in that region.

The 1950s and 1960s may be looked upon as two sides of the same coin in terms of the pursuit of economic policies. An eventual acknowledgement of the limitations of the protectionist strategy resulted in a dramatic U-turn towards export-led industrialisation. Although the 1950s bore the brunt of the hardships associated with this painful transition, the 1960s have been exemplified as a period in Irish economic history in which the inhabitants of the island simply "never had it so good". Although much of the credit for this increase in economic growth (per capita income grew by three fifths) can be attributed to the strategy of export-led growth pursued by the government, their subservient attitude towards the foreign firms they attracted was to prove fatal. Perhaps it was an inferiority complex inherited form centuries under British domination or perhaps it was just easier and cheaper. In any case the Irish authorities chose to view the foreign industry established here as a substitute for rather than a complement to domestic industry.

Such behaviour was in stark contrast to countries such as South Korea, Taiwan who in addition to pursuing export-led industrialisation exercised a blatant preference for domestic industry. The free hand afforded the Trans-National Companies, and the conspicuous absence of a strong indigenous industrial sector was to prove hugely regretful, when in the 1980s, firms who had been footloose enough to situate themselves in Ireland, proved footloose enough to leave.

In respect to Keynesian Economics, Irish economic history from 1973 to 1987 provides a vivid account of how a misconceived debt-financed increase in current expenditure in a small, open economy can wreak havoc with ones economic system, causing massive government debt. It is somewhat ironic that a nation founded on solid budgetary principles (the Cumann na nGadheal administration achieved a balanced budget in their first year of office despite a trebling of military expenditure during the Civil War) should narrowly escape the slide into bankruptcy only sixty years later, having failed to observe the housekeeping prowess of their predecessors.

Since 1987 the Irish government has adopted a policy of fiscal rectitude helping to reduce the level of debt which today lies at 73% of GDP. A signal perhaps that the Irish are finally learning from their mistakes? Perhaps not. In the past four years the Irish economy has experienced a miraculous expansion the likes of which we have never had before, nor may ever experience again. In 1995 for example, the economy grew by 10.1%, the fastest growth rate recorded by any European economy in modern times, while the Department of Finance has predicted that output will rise by a further 6.5% this year. In the coming year Ruairi Quinn plans to borrow 1.6% of GDP; if the borrowing rate does not fall during a boom this can mean only one thing, the Government has chosen to pursue an expansionary fiscal policy. The last time the Irish authorities behaved in this manner was in the period following the 1977 election, and we only have to cast our eyes backwards towards the previous paragraph to recall what happened then. The fiscal policy ceiling of 3% established within the EMU is surely reserved for times when the going is tough, one glance at our present situation should be enough to warn us that we should be as far away from this ceiling as possible. In order to create space for a fiscal boost if things slow down, a surplus is what we should be pursuing. The consequence of Mr Quinn's generosity may well mean headaches for future Ministers of Finance, another batch of essays written on this theme, and an endorsement of Joe Lee's observation that "The Irish of the late twentieth century have still to learn how to learn from their recent past".

Bibliography

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