

## **Mining The Past**

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*In a time of great economic growth in Ireland, it is perhaps excusable not to spend too much time reliving our unspectacular past. However, Sarah Hynes reminds us of the importance of a sound grasp of economic history. She examines its ability to debunk a number of widely believed myths as to why Ireland struggled economically for so long. Finally, she claims that the best way for us to maintain our current performance is by finding equivalent mistakes from our history and ensuring they are not repeated.*

Economic history is extremely relevant to the study of economics. Those who dismiss it limit their understanding of the discipline. This essay forwards two reasons for studying history; that it debunks myths and that it facilitates learning and instructs policy, with particular emphasis on the former. Irish examples from the period 1922 to 1993 are used to illustrate these arguments.

The study of past economic events debunks myths with the objectivity of hindsight and the wider availability of information. Facts may be separated from opinion using economic data, while analysis by those not directly involved in the event is often less subjective and not influenced by contemporary fashions. The policy-makers in the late seventies did not have the statistical evidence to show the true effect of fiscal expansion. They were influenced by a contemporary Keynesian ideology, the consequences of which they failed to fully grasp. The debt burden of the 1980s was the price paid for the illusion of growth in the 1970s.

The most obvious illustration of this is the popular nationalist perception of Ireland's poor economic performance. The generally abysmal performance of independent Ireland's economy from the 1920s to the 1950s was attributed to the legacy of mercantilism and imperialism left by British rule. Agriculture during the 1920s was perceived to be the engine for economic growth, and agricultural underperformance was attributed to the payment of land annuities and the remnants of the landlord system. De Valera's refusal to pay these in the 1930s, despite the cost of the 'economic war' to the rest of the economy, demonstrates the general belief of the significance of these payments. The costs of the annuities were deemed to outweigh costs of tariffs to industry, particularly on coal and raw materials imports, and on agricultural exports to Britain. This was a policy decision of the independent Irish government whose legacy was to hinder growth up until the 1960s, while in hindsight, land annuities were a relatively less important issue.

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The myth that Britain was to blame for Ireland's economic failure has persisted until recently. It should be noted that periods of prosperity such as the sixties or the nineties are not attributed to the legacy of British colonization. At independence, Saorstát Éireann inherited a highly developed institutional structure, including the civil service and court system from the world's most successful bureaucracy. The success of attracting foreign direct investment to Ireland, particularly from American multinationals, which has fuelled much of Ireland's growth, can in part be attributed to the ability of the Irish to speak English, a skill attained courtesy of the colonisers. Studying history may dispel the myth that Ireland's poor economic growth record is a result of a colonial past by showing that it was Ireland's own policy decisions which determined her performance and that any negative influences may easily have been offset by positive contributions of British rule. Thus history gives a sense of responsibility to one's own actions and a sense of balance as regards the facts.

The stereotype of the '*lazy Irish*' has been accepted by some Irish people and used as an excuse for the anaemic growth in that period. Just as the '*protestant ethic*' is considered a contributory factor in Northern Ireland's superior industrial performance, the idea that Irish society does not foster entrepreneurialism is given as an explanation for the southern economy's failure to industrialise. These suppositions may be refuted with empirical evidence. Firstly, if the Irish were so genetically predisposed to laziness and away from enterprise creation, how is it that successful entrepreneurs of Irish stock emerged in the States, Britain and Australia as well as at home with Tony O'Reilly, and in recent years, an endless list has emerged ranging from Chris Horn to Denis O'Brien. The '*protestant work ethic*' in Northern Ireland since 1922 has not produced an economic performance superior to their southern Catholic neighbours. A study of the history of the two economies in those periods dispels any myths of the inherent superiority when it comes to the economic performance of one of two groups of people of a particular religious persuasion but otherwise racially and culturally very similar.

One myth that circulates is that emigration such as the high levels seen in the 1950s and 1980s drained the best and brightest from the country. In the 1950s, it could be considered that the conservatism, social, political and religious, may have made emigration an attractive option to those who wanted to seek their fortune and were prepared to work hard and take a risk abroad. However it may be reasonably assumed that the vast majority of emigrants were forced to leave because they could not find work, and those that stayed were the ones who had beaten off the competition and got a scarce job on merit. On the contrary it could be argued that emigration culled off the poor performers and provided institutions such as the civil

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service with those who had done best at the entry exam. The 1980s, by comparison, saw the exodus of graduates. This is not a cause of poor economic performance but rather a symptom of it.

A short-run, static analysis of the economy imposes limitations on the economist. A sense of perspective may be derived from a long-term dynamic approach provided by studying past events. Not only does this instruct decisions about which policies to pursue, based on past successes and failures, but it also gives impetus to government to enforce unpopular policies. The massive inflation caused in part by excessive wage demands of trade unions in the 1970's made the wage restraint of the national pay agreement, commencing with the Programme for National Recovery in 1987, easier to implement. The consensus reached in 1987 was not the result of a new feeling of friendship between employers and trade unions but rather a realisation that there was no alternative. The historic evidence presented a convincing argument that past performance was disastrous and outlined the causes.

The often over-used saying of Santanyana's that "*those who ignore history are condemned to repeat it*" holds true. The failure of import substitution policies in the 1930's to promote growth led to a complete policy reversal from the 1960's onwards. The explicit policy measures to attract FDI, and Ireland's membership of GATT in 1967, marked recognition of the failure of the earlier policy. History has shown that Ireland, as a small open economy, must adapt to outside trends of globalisation and specialisation of the world economy if it is to survive, and recent performance indicates that this is happening. To refer to Ireland as a region of a greater economy such as Europe is anathema to the type of nationalist who propagated the myth of British colonialism as the root of all Irish problems, but this may to some extent be the case. This lesson was learned the hard way from the 1920s through to the present day, but it is important that Ireland does not lose sight of her past in the euphoria of economic success today. The 1930s was a period when Ireland pursued inward-looking policies with an insular and backward-looking mentality, while blaming the past for her failure. The polar opposite situation is perhaps developing today, where Ireland is now casting aside the past and looking forward and outward. The historian, however, should add a note of caution. This essay has espoused two of many reasons to keep the past in mind. The benefit of learning from past failures and successes to instruct future policy as well as history's inability to debunk myths are valuable contributions to the Irish economy and should not be ignored.

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**Bibliography**

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