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Abstract

This paper discusses the slow and hesitant integration of two post-colonial economies into the global economy. One is Ireland, whose independence began in 1921, but which only found its place securely at the productive frontier by the 1990s, with many setbacks on the way. The other is Zimbabwe, which ceased being a colony in 1965 but achieved proper independence only in 1980. Following independence, Zimbabwe's economic performance in an increasingly globalized world was, like that of Ireland at first, hesitant and disappointing, even before its catastrophic decline in the past decade.

Zimbabwe – now reckoned one of the poorest countries in the world – seems to have stumbled through a series of disastrous economic policy errors. Yet the struggles in Zimbabwe over land ownership and the errors in trade policy, fiscal discipline and even financial policy have parallels, more or less close, with the longer and ultimately more successful history of Irish independence.

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This paper discusses the slow and hesitant integration of two post-colonial economies into the global economy. One is Ireland, whose independence began in 1921, but which only found its place securely at the productive frontier by the 1990s, with many setbacks on the way. The other is Zimbabwe, which ceased being a colony in 1965 but achieved proper independence only in 1980, after which its economic performance in an increasingly globalized world was, like that of Ireland at first, hesitant and disappointing, even before its catastrophic decline in the past decade.

Zimbabwe – now reckoned one of the poorest countries in the world – seems to have stumbled through a series of disastrous economic policy errors.[1] Yet the struggles over land ownership and the errors in trade policy, fiscal discipline and even financial policy have parallels, more or less close, with the longer history of Irish independence.

- Both struggled with issues of land ownership, framed in both cases not just in class terms, but along correlated ethnic, religious or national divides: Ireland managed largely to resolve these issues early—indeed before independence—and this allowed it eventually to embrace inward direct investment by foreign-owned firms, a key catalyst in Ireland's convergence to the global production frontier. But for Zimbabwe unresolved land issues remained as a cancer in society.

- Both saw periods of trade autarky associated with rapid but unsustainable expansion of industrial capacity, most of which was ultimately dismantled in subsequent trade liberalization.

- Both tried to build domestic institutions and improve economic and social conditions with public expenditure carried to an unsustainable excess. Here, Ireland accepted the lesson that the rest of the world did not owe it a living, adjusting expectations and expenditure from the mid-1980s in line with national capacity, thereby positioning itself to make the most of interaction with the global economy. Zimbabwe, alas, moved in the opposite direction, it failed to follow through on proposed public sector reforms, and eventually ignored budget constraints altogether as landowners were dispossessed in a process as disorderly and extralegal as it was disastrous for output, tax revenue and living standards. (We do not discuss the political issues).

One aspect – not the most important – of the recent collapse in Zimbabwe is hyperinflation, resulting from a deliberate quasi-fiscal use of money creation. Excessive prior credit creation was also a key feature leading to Ireland's current particularly severe downturn in the global financial crisis. This parallel is also briefly examined as an epilogue to the discussion.

[1] These compound the successive political outrages of apartheid, UDI and the more recent return to a control through state-sanctioned violence against political opponents.

Thus Zimbabwe's exceptionalism in the African context appears less so when compared with that other small post-colonial and initially agrarian economy. As such, there is a positive aspect to the message: although independent Ireland never experienced anything like the grim conditions currently prevailing in Zimbabwe, the prolonged delay in reaping the hoped-for benefits of independence and the fact that policymakers in both countries fell into well-worn policy traps in quite similar ways show that several decades of economic stagnation need not preclude an eventual convergence to high living standards.

1. Introduction and Summary

At first sight, the economies of Ireland and Zimbabwe might appear to have little in common. Thanks to sustained growth between 1993 and 2007, one is placed firmly among the mature economies seemingly at or close to the current international technological frontier, exporting mainly products embodying high-tech IT or pharmaceutical innovations. Ireland's per capita GDP in 2007 of some $PPP 43,000 is more than 200 times that estimated for Zimbabwe, which, over the past decade has progressively collapsed to the bottom of the global league table, with widespread hunger, increasing reliance on subsistence agriculture, and its limited and declining exports mainly concentrated in primary products. Nominal stability also distinguishes the two countries: Ireland's inflation rate has not been in double digits at any time in the past quarter century; Zimbabwe's current inflation rivals the world's fastest ever; its annual inflation rate has not fallen below 50 per cent per annum for a decade.

The post-colonial evolution of the two economies took place decades apart, and as such happened in very different contexts, both in terms of the state of the World Economy and in terms of the climate of opinion on economic policies.

Although the Dublin slums around the turn of the 19th Century were described as worse than anything West of Calcutta, and Irish Catholics had suffered from institutionalized discrimination going back at least a couple of centuries, it is important to acknowledge that race-based official discrimination in the colonial and Unilateral Declaration of Independence (UDI) periods in Southern Rhodesia resulted in the average economic resources and income of Black Africans in that country falling much further below that of the settlers than was ever the case between Catholic Irish and the Anglo-Irish ruling colonial elite.[2]

Yet both countries started their independent post-colonial existence with some strikingly similar structural and institutional characteristics, and in their early post-independence decades faced strikingly similar issues of engagement with the global economy.

Ireland and its neighbour, the UK

On the eve of independence in 1921 Ireland was a largely agrarian economy closely tied to the neighbouring metropole, Britain. Per capita income was about 54 per cent of Britain.

[2] In 1977, official Southern Rhodesian statistics put mean per capita income of "Africans" was 3.6 per cent that of "Europeans". Indeed, even at end-century Zimbabwe remained one of the most unequal countries in the world, measured by Gini coefficient of individual expenditure.

Although the troubled early years of independence saw outmigration of some of the British elite who had dominated administration and the higher echelons of professional, commercial and industrial life, most stayed, encouraged by the conservative economic policies pursued for the first decade of independence, and remained influential for decades. The big landowners still came from an Anglo-Irish elite, but the land purchase acts of successive British Governments from the 1880s had greatly expanded small-holder ownership. More radical policies of economic self-reliance, introduced in the 1930s, boosted industrial activity behind tariff walls, but without achieving sustained productivity growth. New legislation restricted foreign ownership of industry.

By 1958 per capita income in Ireland had grown by just ¾ per cent per annum over the previous half century, and had slipped to 49 per cent of Britain, despite falling population. At this stage, the country was in a crisis of stagnation.

The dramatic opening of the Irish economy to international direct investment, and to trade, starting in the mid 1950s, proved to be the foundation for subsequent growth. But it was still not a steady or smooth path. Increased political pressures for improved public services began to exceed fiscal resources, especially with the global downturns of the 1970s, and a major fiscal crisis in the early 1980s left per capita GDP by 1986 at less than 63 per cent of the UK – still little convergence against a UK economy whose own relative position in Europe had been slipping.[3] It was only by the 1980s that the full implications of participating in a global economy were internalized by policymakers and opinion leaders in Ireland. The newly understood role of government as supporter, coordinator and provider of public infrastructures constrained by the need to maintain tax and wage competitiveness, was given effect through an inclusive partnership process involving negotiated agreements between employer, union and government on wage, tax and public service issues. While some features of these agreements sowed the seeds of the economy's vulnerability to the global financial crisis of 2007-9, it helped achieve the rapid convergence to equality with UK living standards by end century.

Zimbabwe and its neighbour South Africa

By the time of UDI, Zimbabwe had only managed to reach 28 per cent of the per capita GDP of neighbouring South Africa.[4] Like Ireland, it was a largely agrarian economy: the hoped-for mineral resources that had attracted Rhodes to sponsor an invasion in the late 19th Century had not materialized to the degree expected.[5] Instead, black African occupants were dispossessed of the best land, which was farmed by white settlers from South Africa and Europe.

[3] For both Ireland and Zimbabwe, we use the data from Maddison (2000). Ó Grada and O'Rourke (1996) review differences between different PPP living standards measures for Ireland in the Post-War period.

[4] South Africa has long loomed large in the Zimbabwe economic and political scene. South African sanctions played an important part in hastening the end of the War of Independence; more recently the rest of Africa have looked to South African diplomacy to help resolve the political impasse.

[5] Mining accounted for about 7 per cent of GDP in 1965, compared with about a fifth each for agriculture and manufacturing – much of the inputs for the latter coming from agriculture. By 1973, the share of manufacturing in GDP had jumped to 24 per cent.

The UDI period saw an expansion of self-reliance industry in response to sanctions from the North; per capita GDP peaked in 1973 (at which stage it stood at about 34 per cent of South Africa). There was a dip in per capita output during the war of independence, and it bounced back in the first couple of years of independence under Mugabe, but never quite again reached the 1973 level in absolute terms, though it went close in 1998 before the disastrous slump of the new century (and had reached its highest position relative to South Africa in 1991).

The early years of Zimbabwe's independence saw, in a compressed form, some of the features of Ireland's first half century of independence. The first two decades were marked by contrasting economic policy frameworks: corporatist or statist in the 1980s and liberal or market-oriented in the 1990s (Brett, 2005). Thus, the 1980s were a period of industrial expansion behind tariffs, exchange control barriers and other administrative economic controls, accompanied by an expansion of social services, health and education. The 1990s saw a dramatic opening to the outside world—a response to the disappointing lack of vigorous growth during the inward-looking decade. But this structural adjustment era also disappointed, and the government returned by 1996 to unsustainable fiscal expansion, setting the scene for the disorderly and chaotic policies of the 2000s when the economy spiraled downwards under the weight of wholesale expropriation and mismanagement of the larger farms, erosion of tax revenues and declining public services, arbitrary money-financed productive subsidies and political repression.

Partly reassured by the terms of the 1979 Lancaster House Agreement which underpinned independence and which guaranteed no expropriation of land for a decade,[6] significant numbers of the white elite stayed on after 1980, whether on large farms or in the professions, commerce and industry.[7] (Many also felt locked-in by the exchange controls which prevented them from exporting the value of their assets; others left at first, but then returned). Given the disappointing performance of industry, the land issue was central.[8] Unresolved at independence, and with only a limited volume of land purchase schemes accomplished in the early 1980s, Zimbabwe ended the century with about a third of the productive land still in the hands of a few thousand white farmers.

In what follows, we explore some of the common features of the struggle to engage with a global economy faced by two countries in their early decades of independence: 1922-2000 for Ireland and 1980-2000 for Zimbabwe. We note similarities and differences. The subsequent economic, political and social collapse of Zimbabwe precludes straightforward and readily implemented policy lessons to be drawn from Ireland's experience.[9] Nevertheless, the facts that Ireland *did* fall into many of the

[6] The quid pro quo was to be aid; but actual aid flows subsequently fell well below expectations.

[7] Large numbers did leave however, from 1980-1985 about one in three whites left Zimbabwe, mostly for South Africa, Australia and the UK. (Zinyama, 2002). One of the consequences of this exodus was a reduction in the prices of low-density housing in the early 1980s (Stoneman and Cliffe, 1989).

[8] As late as 2000 one in four of Zimbabwe's formal sector work force were employed on commercial farms (Sachinkonye, 2003). In the mid-1990s over half of the inputs into agriculture were supplied by the manufacturing sector, while 44% of agricultural output was sold to the manufacturing sector (almost all of it from commercial farming sector (UNDP, 2008).

[9] There are interesting parallels between the political disturbances that unsettled Northern Ireland and the racial tensions of Zimbabwe. However, these disturbances had relatively little direct impact on the economy of the Republic of Ireland, and we do not here pursue those particular parallels.

same difficulties, and had decades of disappointing economic performance before things came right, hold out the prospect that Zimbabwe, and other African countries that also display some common features, can eventually achieve an economic policy package that can help them escape from the low income trap in which most of them seem to have been stuck for decades.

We have arranged the discussion around four key policy areas: First, two key issues relating explicitly to globalization: the evolving debate over indigenous and foreign ownership of land and enterprises; second, trade, and the tension between protection and import substitution, on the one hand, and exposure to the risks and opportunities of export orientation on the other.

We then discuss finance, an area in which a further parallel has emerged in the new century: the defiance of financial gravity which, in very different ways, has marred the economic performance of both countries in the last few years.
Before concluding, we turn finally to the way in which over-relaxed fiscal policy can and did derail the rest of the economy.

2. Foreign ownership of land and capital

Ownership of land – Ireland
In Ireland, land issues were the nub of political action in the 19th Century before independence. Following the rise of emigration in the latter half of that century, rural labour markets tightened and with growing imports of agricultural products from the New World, landlords were squeezed. Many of the larger estates – often professionally managed on behalf of absentee members of Anglo-Irish aristocracy – got into financial difficulties, partly explaining – and partly due to – a long-running lack of investment in agriculture (which was also attributed to actual and feared agrarian unrest) (Solow, 1971).

From the last decades of the 19th Century, the London Government took increasingly energetic measures to solve the problem of agrarian unrest including a series of land purchase Acts (especially those of 1903 and 1909) providing loanable funds to tenants wishing to buy out the land they were working. The borrowings were amortized over a very long period at moderate rates of interest, and they led to a substantial change in the ownership of agricultural land and in the size distribution of farms.[10]

Reflecting the improved incentive structure for the smallholder farmers, and the fact that large scale mechanized farming had not yet become established in Ireland, there is little indication of a fall-off in agricultural productivity following these changes. (Ó Gráda, 2004).

[10] The percentage of owner-occupiers in Irish farming rose from 3 percent in 1870 to 30 percent in 1906, to 64 percent in 1916 and to 98 percent in 1929.

The degree to which land reform had been completed before independence could be exaggerated.[11] But land reform had two hugely important long-term effects. It purchased agrarian peace and led to a solidification of the middle class. Echoing Barrington Moore's (1966) "no bourgeoisie, no democracy", Kissane (2002) has argued that land reform was key to Ireland's remaining a liberal democracy after independence.[12,13]

> "The creation of a large class of independent farmers was a basic precondition for the emergence of a stable democratic system in Ireland. British reformism succeeded in eliminating the two social classes – the landed aristocracy and the landless peasantry – who would have had least stake in a democratic system".

In contrast to accounts which suggest that the emergence and stability of Irish democracy in the wake of independence was surprising, he points to the conjunction of characteristics – including the extent of education and urbanisation, dense civil society networks and the absence of clear-cut social cleavages as a consequence primarily of the land reform – as favourable to democratic consolidation.

After independence, the servicing of the debts incurred as a result of the land purchase schemes – the so-called land annuities – became the focus of political controversy. These were owed to the British Government, and there was a resentment about paying them. The populist Fianna Fáil administration from 1932 dealt with the problem by not forwarding the land annuities to London, but instead retaining them for the benefit of the Irish Exchequer. The UK retaliated with a 20 per cent discriminatory revenue tariff on Irish agricultural imports into Britain (in the middle of the global recession)—the so-called "economic war" period—with the dispute being finally settled in 1938 (along with some other loose ends in Anglo-Irish relationships, including the closure of the remaining British naval bases in Ireland) in an agreement largely favourable to Ireland requiring a lump sum payment of just two-years purchase of the annuities (Ó Gráda, 1994).

Agriculture remained very important in Ireland, still contributing close to a third of output and 40 per cent of employment in mid-century (Table 2). The fact that ownership issues and nationalism no longer conflicted meant that agriculture provided a relatively solid – but conservative – underpinning to the Irish economy. The farm lobby remained highly influential politically, and the fact that its interests promised to be well-served by the Common Agricultural Policy of the EEC was a

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[11] Daly (2002) points out that, at independence, some 30 percent of agricultural land remained unresolved. This was reflected in widespread agrarian violence, house burnings and threatened shootings [that] continued into 1923. A new land purchase act in 1923 dealt with most of this remainder. The land was bought by occupying tenants, and untenanted land was given to occupiers of uneconomic holdings, migrants, evicted tenants and labourers who had lost their jobs as a result of land purchase. Between 1923 and 1933 more than 110,000 holdings changed ownership under the land acts…Land agitation gradually spluttered out, with many landless men and smallholders emigrating to Britain and the US.

[12] Note Acemoglu, Johnson and Robinson's (2005) suggestion that "economic institutions encouraging economic growth emerge when political institutions allocate power to groups with interests in broad-based property rights enforcement, when they create effective constraints on power-holders, and when there are relatively few rents to be captured by power-holders."

[13] As will be seen in the case of Zimbabwe also however, farm workers did not fare well over the period. Before the Irish Great Famine, there had been two male farm workers for every farmer; by 1911 there was less than one for every five farmers (Fitzpatrick, 1980).

decisive factor ensuring Ireland's early and sustained enthusiasm for EEC membership, a step which ultimately proved important in weaning the economy off its almost exclusive focus on the relatively undynamic and undemanding UK export market.

Ownership of land – Zimbabwe

Land reform had not occurred in Zimbabwe by the time of the Lancaster House agreement which finally sealed majority rule and independence. The independence movements had emphasized the need for a resolution of the land problem; indeed they were committed to "radical land reform". Yet, despite much discussion, promises and a differentiated range of actual programs, comparatively little transfer of land to black farmers was achieved over the first two decades of independence.[14] To the extent that they did occur, the impact of much of the early resettlement programmes was marred by poorly designed and ineffective collectivization policy (Akwabi-Ameyaw, 1998), while much of the later resettlements related to large farms acquired by politically well-connected persons (Palmer 1990, Jenkins, 2007).

Part of the problem was that the former colonial power only offered to underwrite half of the cost of land purchases by the new Government, there were to be almost no compulsory purchases, and sellers were to be free to transfer the whole purchase price abroad.[15] The need to retain skilled farmers also weighed with the new government (Palmer, 1990).[16] After all, even at end-century, agriculture accounted for up to 20 per cent of GDP and 40 per cent of exports. These attitudes surely contributed to the avoidance, in Zimbabwe of the syndrome of over-taxed agriculture seen extensively across the continent (Bates, 1981, Van de Walle, 2001).

To the extent that land was acquired for resettlement, the State assumed the responsibility of purchasing the land and handing it to the landless poor. In the nationalist discourse there was no reason for those to be resettled to pay for land that they believed had been 'stolen' in the first place. A corollary was that newly resettled farmers were not allocated title deeds against which they might borrow in order to finance the inputs required at the start of each season's planting. Neither were extensive training and education schemes set up to equip resettled farmers with the high level of skills required to run successful commercial ventures.

It should not be thought that traditional, communal farming remained static post independence. Productivity gains were achieved, and indeed by the 1990s communal farms were producing more export quality cotton than were commercial farmers. Still, droughts and urbanization meant that communal farmers and their families were looking to urban area opportunities rather than increasingly risky farming activities.

[14] "In 1980, 6,000 white farmers had owned 47 per cent of the country's agricultural land. By 1999 these figures had both fallen by only one-quarter." (Shaw, 2003).

[15] It should not be thought that ownership of commercial land was static in the first two decades of independence. Even though a "no interest" certificate from the government was required before such land could be sold, many farmers sold out, some of them financially distressed. Although such sales did not result in land being given to the intended poor beneficiaries of the land resettlement programmes, there were black buyers who did become successful commercial farmers. .

[16] The commercial farm sector was noted for innovation (notably in drought resistant and soil specific seed varieties, and in development of tourist activities), and may have generated external productivity effects in neighbouring communal farms..

This, along with the improving education, health and employment opportunities in the urban areas may have weakened political pressure for land redistribution.

However, CGE simulations employing the achieved productivity levels of communal and commercial farmers suggest that a major but orderly land redistribution could have had net benefits. According to these calculations (which of course are rather speculative) redistribution would have lowered exports of tobacco and damage the interests of the commercial farmers. But grain output would have soared, poverty and inequality would have fallen and the overall impact on GDP would have been small. According to the model, the losses suffered by commercial farmers could be compensated by lump-sum transfers from the gainers (Chitiga and Mabugu, 2008).

The drastic[17] and disorderly expropriations that actually occurred in the new century were a disastrous parody of what had been hoped for in the lead-up to Lancaster House (Doré et al., 2008).

Ownership of industry – Ireland
If the larger industrial enterprises in Ireland were, at independence, owned by British or Anglo-Irish concerns, the import-substitution measures of the 1930s had the effect of creating a small but influential locally-based manufacturing lobby. Nevertheless, the barriers to foreign direct investment (in the form of the Control of Manufacturers Act) which had been set up to facilitate import substitution were never rigorously enforced, and did not long survive the Second World War (Daly, 1984).
The fiscal, employment and balance of payments crisis of the mid-1950s, which restarted mass emigration, made inward-looking policies seem counterproductive and the political and administrative elite readily accepted the far-reaching economic re-orientation that was proposed to them by the young and visionary (Permanent) Secretary of the Department of Finance, T.K. Whitaker. Inward foreign direct investment was embraced by all the mainstream political parties as part of a new outward-looking strategy more in line with the international thinking of the time and which had led to the establishment of the European Economic Community – though Ireland would not accede to membership until 1973. Indeed the disequilibrating shock to the European trading environment that the formation of the EEC and EFTA represented also saw other small protectionist European economies such as Finland, Spain and Portugal move more towards outward orientation. This shock upset the prevailing equilibrium that had been established between export-oriented agriculture and protected industry. Protected industry would eventually collapse but the liberalised regime allowed space for new export-oriented manufacturing firms to emerge.[18]

Before long, inward foreign direct investment, mainly in manufacturing, and increasingly coming from the US, as well as the UK and other countries, became the main driver and hallmark of economic growth and prosperity in Ireland. By the 1980s

[17] In 2000, Of of the 4500 mostly white commercial farmers who had lived on the land in the 1990s fewer than 500 were actually farming the land five years later, and as many as 200,000 of the farm workers they had employed had lost their jobs (Alexander, 2006). Much of the land expropriated post-2000 may have already changed hands since independence.
[18] Ireland's move to a more liberal trade regime was preceded by the adoption of policies to attract export-oriented FDI, which arguably – as noted by Rodrik (2000) for the case of Mauritius – eased both the economic adjustment path and the politics of implementing the liberalisation

more than half of manufacturing employment was in foreign-owned firms. Soon financial and other internationally-traded services were added to categories of investment eligible for grants and/or very favourable tax treatment, making Ireland the most FDI-intensive economy in Europe and indeed in comparison with most countries across the globe.[19] A notable feature of Ireland's FDI-oriented development strategy, and one of the foundations of its success, has been the stability of the policy regime directed towards attracting FDI. Changes of government between centre-left and centre-right parties and coalitions have left key elements – notably the low rate of corporation tax on offer – in place. Is this also ascribable, as Kissane (2002) suggests, to the "absence of clear-cut social cleavages as a consequence primarily of the land reform"?

Soon industrial and service sector growth meant that the role of agriculture in output and employment had shrunk to much more modest – though not negligible – levels. Who now cared about the nationality of the ownership of agricultural land?

Ownership of industry - Zimbabwe

For years after independence, the Zimbabwe corporate sector was largely owned by foreigners or, if local, whites. Even in 1986, foreign ownership (partly locked-in by exchange controls) exceeded 50 per cent in Manufacturing and was about 75 per cent in Mining and in Finance. But Government bought out some of the South African MNCs, as part of a strategy to reduce dependence on that country (Carmody, 2001, quoting data from Stoneman; cf Robertson, 1992). Furthermore, new investment by enterprises with as little as 15 per cent foreign ownership had to overcome higher thresholds for approval, not least to secure access to the necessary foreign exchange to pay for imported machinery (Bjurek et al., 2002). Foreigners were implicitly but strongly discouraged from bringing in their own capital funds, whether for an existing concern or a new venture, by the over-valued exchange rate, and by the restrictions preventing repatriation of profits.

New African entrepreneurs were also hampered by the pervasive regulations and credit constraints of the 1980s; they too had difficulty in getting approval to import not only machinery but spare parts and materials. Brett (2005) suggests that the Government was not keen to support the emergence of a strong indigenous business class as a threat to its political monopoly. Still, the ambition of the black middle class – including those who had become substantial commercial farmers – to exploit the business opportunities of a liberalized economy open to the opportunities of export growth grew,[20] and this eventually led to the shift to economic liberalization from 1990 – this too spearheaded by an outstanding technocratic policymaker, the Senior Minister for Finance Bernard Chidzero (Bond, 1998; Brett, 2005, Dashwood, 2000).

Migration -Ireland

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[19] UNCTAD data (combined with UN population statistics) show Ireland's inward FDI stock growing from $10,000 (at current prices) per head in 1980 to almost $40,000 in 2005, though much of this growth was in the less employment-intensive International Financial Services sector. Zimbabwe's inward FDI stock started the period at $25 per head and grew to $105 by 2005.

[20] Examples of two largely locally-owned industries to emerge in post-independence Zimbabwe are tourism and horticulture. Tourism growth accelerated in the early 1990s. Foreign currency earnings of the sector peaked in 1996 at over US$ 200 million, and even as late as 2003 contributed 6% to overall formal employment (UNDP, 2008).

Migration of nationals cannot be neglected in a discussion of the ownership of land and industry. Ireland's long history of emigration, characterized by open access to the British labour market as well as fluctuating but sizable flow to the US, Canada, Australia and elsewhere was already well-established in the first half of the 19th Century. Emigration has remained a recurrent feature of the period since independence: net outflows were particularly high in the late 1950s and in the 1980s; while return flows were notable in the 1970s and 1990s.

European Union membership also had the effect of removing other barriers to immigration and ownership of property by nationals of other member states. Over the 1990s the pattern – standard for a century and a half – of sizable net emigration was reversed and net immigration, notably of Poles and other Eastern Europeans and of Chinese and Nigerians, became established.

Migration – Zimbabwe

Zimbabwe too has experienced episodes of sizable emigration, though until recently this was on a much smaller scale than Ireland, albeit concentrated among the better educated. Whites predominated among those who left in 1965 and in 1980s. During the UDI period many blacks left and acquired education abroad, both in other parts of Africa, notably Ghana, and in Eastern Europe. The return of many of these in the 1980s may have contributed to the political pressure for liberalization. Following the recent economic collapse, there has been a noticeable emigration of educated blacks especially to Canada, New Zealand and the UK, as well as of refugees across the border into South Africa.

Ease of emigration in both Ireland and Zimbabwe has been blamed for providing a safety valve reducing pressure on incumbent elites for economic reform.

3. Trade

Ireland

Before independence and for the first decade, the Irish Free State remained largely open to trade with the former colonial power and with the rest of the World on similar terms to that of the UK itself.

The depressed economic conditions of the 1930s, exacerbated by the "economic war" turned policy towards import substitution in Ireland, with tariffs on industrial imports (and barriers to inward FDI as mentioned above) leading to a burst of expansion in small, relatively unproductive manufacturing firms. Industrial output and employment both jumped behind the tariffs, perhaps by as much as a third in the six years 1932-38 (Ó Gráda, 1994, p. 407). Hopes that this would form the nucleus of a vigorous industrialization were not realized and few of these firms grew into significant exporters. Indeed, towards the end of the protectionist period, in 1960, a full 30 percent of Irish exports (of goods and services) were of live animals, and only 19 percent consisted of manufactured goods. A mere decade later, manufactured exports had grown to exceed all agricultural exports in value, and the live animal trade gradually came to comprise only an insignificant share of total exports (Table 1).

After the establishment in 1965 of the Anglo-Irish Free Trade Area, and membership in 1973 of the European Economic Community, most of the firms set up under protection were doomed and few survived the downturn of the 1980s. This was a difficult phase in Ireland's economic history and highlights the adverse side-effects of opening up the economy to foreign trade. The country's foreign-owned and export-oriented manufacturing sector however, which had expanded substantially as the economy liberalized, helped to stabilize the economy as liberalization proceeded (Figure 2). During the 1990s and beyond, with inward FDI continuing, Irish exports shifted sharply towards services,[21] though by the late 1990s, growth in employment became increasingly concentrated in construction and non-traded services.

Zimbabwe

Two of the phases of independent Ireland's engagement with the international trading system thus mirror what happened in a more compressed timescale with Zimbabwe: a period of closure and expansion of hothouse-flower industries, and a subsequent opening up to the global economy followed by a recession which saw the flowers wilt.

As soon as the UDI-prompted sanctions came into effect, Zimbabwe's international trade began to collapse. The sum of imports and exports expressed as a share of GDP fell from 93 per cent in 1965 to 57 per cent less than a decade later and to 44 per cent by 1985. Import-substituting industries sprang up behind the protection offered by the sanctions during the UDI period. These thrived, but were rather inefficient. Following independence, the new government largely retained the highly controlled regime it had inherited. The larger public spending programme on which it had embarked implied that foreign exchange remained at a premium, and it continued to be strictly rationed throughout the first decade of independence. Thus protection replaced sanctions, allowing Zimbabwe to remain the most industrialized country in tropical Africa at the time.[22]

Complementing the external constraints, the economic policy regime of the whole period before 1990 was highly administered in many other respects, with "extensive price controls in output, labour and capital markets…hiring and firing restrictions were added in the 1980s…import licensing and restrictions on capital mobility" were maintained throughout (Mumbengegwi and Mabugu, 2002). Wage controls led to declining real wages in the 1980s, helping support industry. At the same time, the way in which the controls were applied had the effect of concentrating production in a limited number of large monopoly firms, with inevitably negative consequences for efficiency and consumer welfare (Bjurek et al., 2002). There was little support for the growing informal economy and few opportunities for school-leavers in the formal employment market.

But the constraints and arbitrariness of the tight regime of controls hampered business activities of manufacturers. The restrictions entailed on investment and import of

[21] Services exports (primarily in IT and Business and Financial Services) grew from €22 billion to €66 billion between 2000 and 2007, while merchandise exports (which are heavily concentrated in the foreign-owned high-tech segments of Chemicals & Pharmaceuticals and Machinery) rose more slowly, growing from €84 to €89 billion.

[22] Some of the expansion of manufacturing post 1980 reflected recovery from wartime collapse in the 1970s.

crucial materials were seen as holding back the opportunities for growth. Even traditional manufacturing supporters of protection began to chafe under the controlled regime. The collapse of the planned economies in Eastern Europe also seemed to point away from administrative control. Furthermore, the growing unemployment among school-leavers was beginning to pose a political threat. Thus, in contrast to the experience of so many African countries who accepted "structural adjustment" policies in a period of crisis under duress of international lenders (and whose elites imperfectly implemented the adjustment in ways largely beneficial to them and damaging to the rest of the economy, as shown by Van de Walle, 2001), Zimbabwe's shift to economic liberalization, especially external liberalization, was unforced and largely home-grown. Although the internal logic of the fiscal adjustment prescribed to go hand-in-hand with trade liberalization was never fully accepted by the government (UNDP, 2008).

The failure of the liberalizations of the 1990s has been extensively discussed in the literature with some authors (such as Carmody, 2001) seeing it as an exemplar of the problematic nature of the standard Washington-driven structural adjustment policy package, while others (for example Mumbengegwi, 2002 and Doré et al., 2008) interpret the episode as reflecting the risks of *partial* liberalization, relative to either full liberalization or a controlled regime of the former kind.

In particular, there are suggestions that, by concentrating on quota eliminations (and liberalization of foreign exchange allocations), while making much slower reductions in tariffs, the initial liberalization was more damaging than it needed to be (see the CGE simulations of Mabugu, 2001, cf Chitiga et al., 2007).

Of course there were also complicating factors such as the ending of the preferential trading arrangement with South Africa in 1992 (Brett, 2005). The devastating collapse in domestic output and demand associated with the two consecutive droughts (1992-3 and 1993-4) certainly hastened the collapse. But the inability of formerly protected firms in the important textiles, clothing and footwear sector to cope with the removal of export subsidies and some of the import restrictions (as described by Carmody, 2001) was virtually inevitable.[23]

Manufacturing exports did soar in the first half of the 1990s, as seen in Table 1 and Figure 2, but this could not prevent an overall shrinkage of manufacturing, which declined to 17 per cent of GDP in 1995 compared with 22 per cent a decade earlier.[24]

Overall for the period 1991-95, GDP growth fell to its lowest levels since independence, averaging less than one per cent per annum and as such implying a sharp fall in per capita income during this period. While enthusiasts for liberalization interpret the growth upturn in 1996-7 as a potential new dawn, this was never to be

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[23] Although inefficiency of the firms could be exaggerated: "World Bank teams...have been forced to accept that their expectations of discovering serious overall inefficiency have not been borne out in practice. (Stoneman and Cliffe, per Brett, 2005)"

[24] The increase in manufactured exports in the first half of the 1990s was evenly spread across textiles, clothing, iron & steel, and chemicals. The subsequent fall to the end of the decade was accounted for, in roughly even proportions, by falls in iron & steel and textiles & clothing. New export sectors, such as tourism and horticulture, exhibited a somewhat similar pattern (Mabugu, 2002; Dolan and Humphries, 2000)..

tested as the experiment collapsed in fiscal indiscipline. Merchandise exports and exports of commercial services both peaked in 1997, with particularly sharp falls recorded in 2001 and 2003.

4. Fiscal Policy

Unaffordable extravagance in fiscal policy is all too often the Achilles heel of economies seeking to converge to advanced economy structures and living standards, and so it was in Ireland and Zimbabwe. It is not simply a question of technical errors: power politics comes to the fore and in Zimbabwe in particular, the later excesses have been attributed to the attempt by the ruling elite to maintain political power.

Ireland

Ireland's great experiment with growth driven by government expenditure was in the 1960s and especially 70s, before which relatively orthodox fiscal policies were pursued. While fiscal deficits were incurred in the 1960s, the budgetary accounts on current account were balanced. (From the early 1950s the practice of financing a certain amount of public investment with borrowing had been enshrined in a separate "public capital programme".) 1972 saw the first budgeted current account deficit, and the response to the First Oil crisis was a large blow-out in government expenditure and the deficit. Although this was largely corrected by 1976, the following year the new government in a push for growth budgeted much larger deficits again, with the intention of improving social and economic infrastructure and laying the foundation for sustained growth. However, the result was an unusustainable expansion of debt, despite an apparently inexorable rise in taxation. Only when the debt-to-GDP ratio had reached almost 130 per cent was a political and social configuration that could deliver fiscal correction and wage moderation achieved. From 1988, success in the stabilization moved the economy from a vicious cycle to a virtuous one, leading to the sustained Celtic Tiger export-led growth period which ran up to about 2000 to be succeeded by an unsustainable property boom whose steep unwinding is ongoing at the time of writing.

Zimbabwe

Here again there is a clear parallel with the decade of the 1980s in Zimbabwe during which an attempt to improve social services and economic infrastructure using fiscal resources was attempted but ran into affordability problems. Although it is easy to contrast, as in the words of Jenkins (2007), "the very limited nature of the changes made by the new government in 1980, and the complete reversal of policy announced in 1990", there were policy shifts after independence, not least in fiscal policy. Central Government expenditure jumped from 33 per cent of GDP in 1979 to 45 per cent ten years later reflecting the cost of expanded health and education programmes,[25] agricultural subsidies supporting both communal farmers[26] and the consumers of their grain output, as well as higher interest costs on a burgeoning

[25] As well as free healthcare for the poor, the government introduced free primary education for all. Such programmes were evidently needed not least to redress the racial imbalance of the previous regime which had pursued a policy of spending the same absolute amount on each race even though African children attending school outnumbered Europeans by 20 to 1 (Nziramasanga and Lee, 2002)

[26] Thereby expanding the exceptional pro-farm policy originally favouring only the large white farmers to the wider farming community.

government debt, and (largest item of all) a growing civil service pay bill. Crowding-out of private sector activity was a major consequence.

Continued political pressure to keep public spending high would inevitably threaten the new era of liberalization after 1990. It was clear from the outset that public spending was unsustainably high, and the civil service was to be cut by a quarter. But this never happened. On the contrary, the growing numbers of unemployed, continued declines in real wages, and other side-effects of the disappointing average growth rates of the first half of the 1990s, made the political pressure to respond with costly spending initiatives irresistible (Brett, 2005). This led to a growing gap between spending and tax revenues. But the liberalized macroeconomic environment was more punishing than its predecessor of fiscal indiscipline, and macroeconomic control was lost.

5. The End-Game: Trying to Defy Financial Gravity?

Even in the most recent episode of distress in the two countries (incomparably more severe in Zimbabwe than in Ireland) we can find an intriguing albeit somewhat tenuous parallel. It lies in the field of finance, which has been centrally instrumental in the pattern of distress. Thus Zimbabwe fell into a devastating hyperinflation, fuelled by quasi-fiscal deficits engineered with the creation of central bank money; Ireland experienced a more severe banking crisis than many other countries, thanks to the excessive credit-fuelled construction boom of the previous decade. In both episodes, albeit in very different ways, policy proceeded as if in defiance of the conventional relationships of finance which seemed sure to deliver disaster.[27]

Ireland

By the turn of the Millennium, Ireland seemed to have achieved a superbly balanced integration into the Global Economy, with high growth, net immigration, healthy public finances (falling debt ratio), and monetary stability, despite more or less completely open current and capital accounts and generally very low trade barriers vis-à-vis the rest of the vast European Union market.

But around that time a bubble emerged in property speculation. Triggered by the sharp fall in interest rates in 1998 associated with the imminent start of the European Monetary Union, and supported by the protracted prior period of prosperity and immigration, house prices started to jag upwards. The lower interest rates could have warranted higher equilibrium property prices, even after supply response, but the extent of the price -- and associated construction -- surge began to create concerns.

A pause in the upswing in 2001-2 may have seen prices and the stock of houses and offices at sustainable levels, but tax changes designed to protect the construction

[27] Here as previously, the two countries differed substantially in matters of finance. During UDI and in the post-Independence period Zimbabwe imposed severe constraints on outward capital movements. After independence, exchange rate and monetary policy was highly inflationary: with depreciation and inflation rates in double digits almost every year from 1980, before super-high hyperinflation took off after 2000. In contrast, Ireland for most of the post-independence period has, in effect, used an external currency—the pound sterling until 1979 and the euro since 1999. The only period during which Ireland used a truly independent currency was from 1979 to 1998, (this was not a very successful period either with repeated – albeit small – devaluations against the Deutsche Mark, and high nominal and real interest rates reflecting depositor distrust of policy.

industry ushered in a renewed frenzy, this time actively promoted by heightened and ultimately reckless competition among banks for market share (Honohan, 2009), and financed by their massive foreign borrowing. From 2003 on soaring property prices detached themselves from any possible equilibrium model. By 2005 prices were already 26 per cent above the highest prediction of any serious econometric model, and they continued to rise until early 2007. This period can be interpreted as one in which market participants and the government thought they could defy gravity.[28] After fifteen years of pay moderation which had underpinned the Celtic Tiger period, national pay agreements in the new century were much more lavish, weakening the public finances and making employment much more vulnerable to the consequent loss of competitiveness.

The inevitable bursting of this bubble was pricked by the global financial crisis; the banking system was unable to rollover its foreign borrowings and relied from late September 2008 on a blanket government guarantee. The construction business collapsed, weakening other domestic suppliers, while export-oriented industries also came under pressure. Tax revenues collapsed much more than in proportion to the economy as a whole, reflecting the degree to which the tax structure had become increasingly dependent on cyclically-sensitive taxes such as corporation tax, capital gains tax and stamp duty. Government debt looked set to grow rapidly for several years. The cumulative fall in GDP 2007-10 looked like being at least 10 per cent.

Zimbabwe

As already indicated, macro instability emerged in Zimbabwe from 1997. But the position deteriorated sharply and economic policymakers in Zimbabwe too seemed to defy gravity as they responded to the collapse of agricultural output following the seizure of farms in 2000-3. With tax revenues devastated, the authorities turned to the central bank as a means of financing a very much reduced level of government spending. From the appointment of a new Governor in December 2003,[29] the Reserve (central) Bank began to take over many fiscal operations from the Ministry of Finance. The Reserve Bank also became the source of assistance to preferred firms in the private and public sector. In order to perform these functions without tax revenue, the Reserve Bank had extensive recourse to monetary financing. Astonishing statements by the Central Bank Governor denied all conventional understandings of monetary affairs.[30] As was easily predictable, the greatly expanded monetary creation resulted in a very severe hyperinflation – one of the worst in history. Although it appears that inflation was pushed well beyond the stable revenue-maximizing rate, it still generated seigniorage revenues equal to or larger than the -- much diminished – tax base over the period 2000-6 as a whole (McIndoe, 2009).

[28] Prudential regulation was passive to a fault: one bank was allowed to grow its market share among locally controlled banking groups from 3 to 17 per cent in less than a decade, a fact which alone should have raised a red flag. The bank in question failed in 2008 and was nationalized in January of the following year..

[29] Following a sharp banking crisis.

[30] For example, in comments published on the website of the Reserve Bank of Zimbabwe in July 2008, the Governor explicitly stated that with approval that some of the recent "extra-ordinary interventions have flown in the face of conventional economics, while others have, by coincidence, conformed to economic convention or textbooks theories." www.rbz.co.zw/pdfs/Herald_QA.pdf

6. Conclusion

Masked by apparently dramatic contrasts in the overall economic post-colonial performance of Ireland and Zimbabwe, significant commonalities can be detected if we take the experience decade by decade. To be sure, even before the hyperinflationary meltdown of the Zimbabwe economy (and before the unsustainable property bubble of the Irish economy), one was widely regarded as a great success story and the other as a failure.[31]

Yet a closer look at their post-colonial history reveals striking parallels in false starts and policy cul de sacs. Zimbabwe's well-discussed land ownership issues were partly mirrored by Ireland's Land Wars of the 1880s and a new wave of obstacles in Ireland to foreign ownership of productive assets in the 1930s. It was only in the mid-1950s that Ireland turned its face decisively against nationalistic objections to foreign ownership of productive assets. This step was the lynchpin of Ireland's subsequent convergence to the global productive frontier.

Paralleling Zimbabwe's relative trade autarky in the UDI period and (to a lesser extent) in the 1980s, trade policy in Ireland became very protective in the 1930s (in line with contemporary fashion) before a decisive move towards trade liberalization was initiated in the late 1950s.

The choice of an inward-looking policy framework in the 1980s and the shift to outward orientation can be seen both in terms of prevailing or recent ideologies (though inward-looking development policy was already looking threadbare by 1980) and in terms of a learning-by-doing reaction to economic performance in practice. In each country these decisive changes were mediated by a national policy debate with prominent official protagonists (T.K. Whitaker in Ireland and Bernard Chidzero in Zimbabwe). In both cases, however, liberalization was followed (at different intervals) by a substantial collapse of the previously protected manufacturing industries. This was debilitating to the Irish economy as to that in Zimbabwe, but recovery ensued in Ireland (though not, of course, in the Zimbabwe of the new century).

Trying to achieve growth and social welfare improvements by expanding government expenditure was tried in both countries: Ireland in the 1960s and especially the 1970s; Zimbabwe in the 1980s. Neither worked, and Ireland in particular suffered a bad debt hangover from the experience. Yet recovery was feasible and was achieved surprisingly quickly. Once again international conventional wisdom was applied, in this case mediated through the re-invigoration of a tri-partite corporatist mechanism which internalized conflict through a negotiated multi-year national agreement on pay, taxation and other policies. Can Zimbabwe make a recovery from its current hyperinflationary misery when a viable political settlement is established?

Evidently the collapse of Zimbabwe's economy and polity is deeper than a matter of failed economic policy. Yet the curious parallels between the false directions taken

[31] We are struck by the similarities between our interpretation of Ireland / Zimbabwe and that of Bates et al. (2007) comparing Africa as a whole with Latin America.

by both post-colonial countries, and the fact that Ireland recovered, suggests that Zimbabwe, later to independence and admittedly starting from a much lower basis of skills and basic economic infrastructure, has not – until the hyperinflation -- followed a uniquely destructive set of economic policy approaches.

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Table 1A: Zimbabwe: *Export Structure 1980-2005*

$ millions, current	1980	1990	1995	2000	2005
Agricultural Products	453	754	926	1146	568
of which… Food	174	647	802	906	431
Mining Products	n.a.	234	214	211	616
Manufactures	155	453	679	539	573
Total Merchandise Exports	1414	1726	2118	1925	1840
Commercial Services Exports	145	253	467	327	254

Source: WTO

Table 1B: *Ireland: Composition of Exports, 1928-2000*

	Total Exports of Goods £ million	Live Animals %	Food, Drink & Tobacco %	Other %
1928	45	42	47	11
1938	24	50	42	8
1948	48	46	33	21
1958-60	134	33	35	32

	Total Exports Goods and Services € million	Agricultural %	Industrial %
1960	263	40.9	29.4
1970	765	30.8	44.7
1980	5944	26.1	59.5
1990	20817	13.2	72.8
2000	102885	4.3	73.8

Source: ESRI Databse (2008); O'Mahony (1964).

Table 2A: *Zimbabwe: Sectoral Contribution to GDP, 1965-1999*

	Agriculture	Mining	Manufacturing
1965	18.6	7.0	19.9
1970	16.9	6.6	22.7
1974	16.8	7.2	25.2
1980	14.2	8.0	24.0
1984	13.7	5.8	27.5
1997	18.6	1.6	17.7
1999	20.1	1.8	17.4

Source: Economist Intelligence Unit, *Quarterly Economic Review: Zimbabwe Malawi*, London, various issues.

Table 2B: *Ireland: Sectoral Contribution to Net National Income, 1926-2000*

	Agriculture	Industry (incl. Construction)
1926	35.4	18.7
1938	29.9	24.8
1953	29.1	25.5
1960	22.6	28.0
1970	15.1	33.3
1980	10.3	34.1
1990	8.9	34.4
2000	3.8	42.3

Source: ESRI Database (2008); Duncan, (1940, 1941)

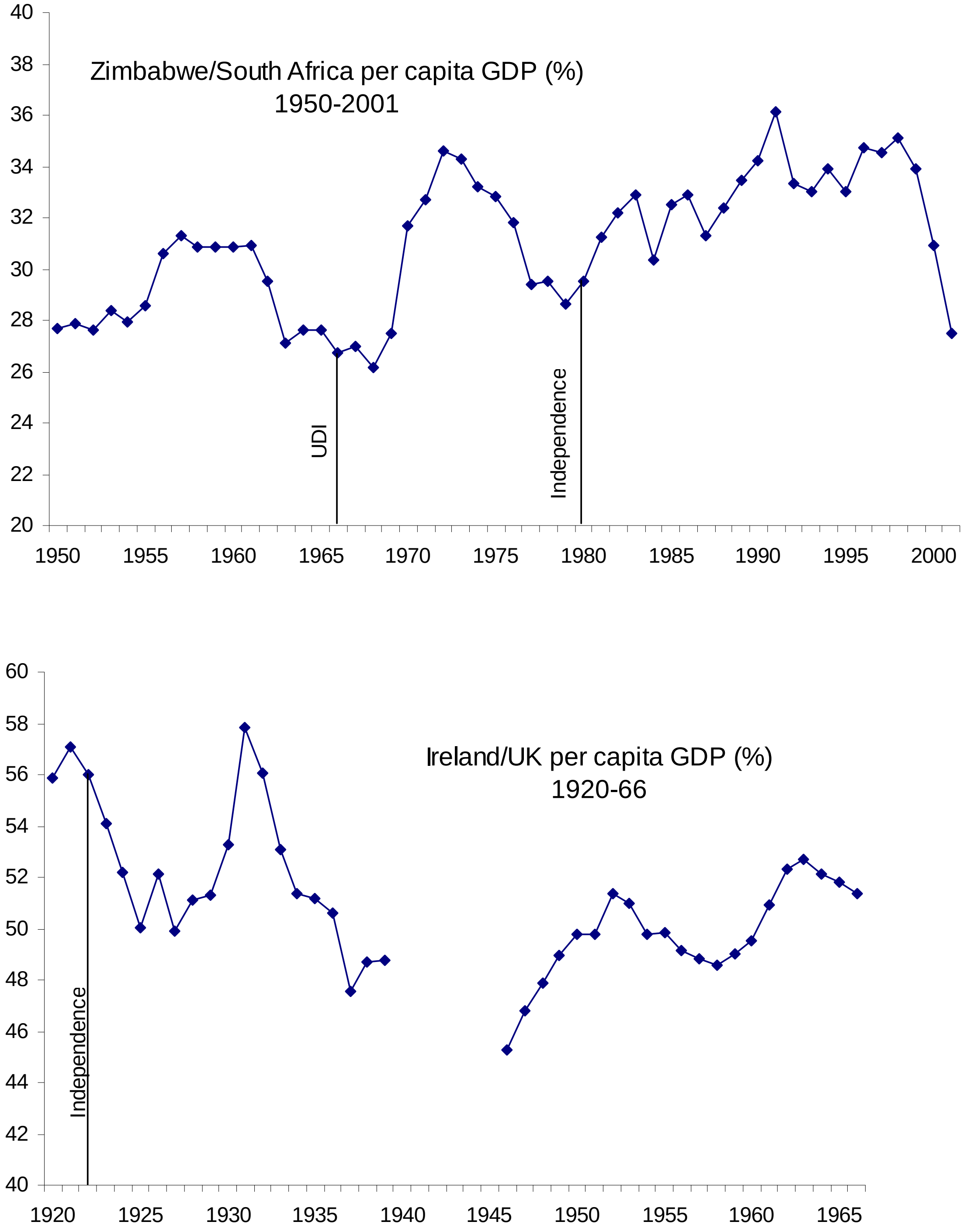

Figure 1: *Episodic convergence in the first post-Independence decades*
The charts show the ratio of per capita GDP relative to dominant neighbours: Ireland vs United Kingdom 1920-66; Zimbabwe vs. South Africa: 1950-2001.

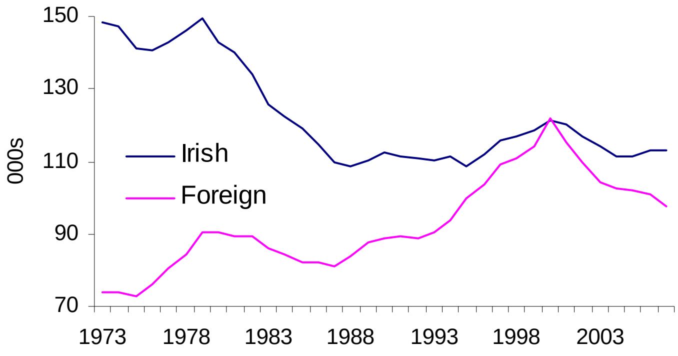

Figure 2: *Ireland: Numbers employed in Irish and Foreign-owned Manufacturing Firms*
Source: Forfás Annual Employment Surveys

Figure 3: *Zimbabwe: Exports 1980-2007*
Source: WTO

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