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ABSTRACT

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This paper is concerned with the institutions of Irish economics; it is structured around two arguments each of which links to the thesis presented in Garvin's *Preventing the future* (2004). Overall it will be demonstrated that Irish economics was shaped by intellectual trends experienced within economic thought globally as well as the social considerations that were peculiar to Ireland. The evidence presented indicates that firstly while *Economic Development* mattered to the Irish economy it did not matter for the reasons that most writers have suggested it did. It is argued for instance that much of the literature, regardless of academic discipline, presents the publication of *Economic Development* in 1958 as analogous to a "big bang" event in the creation of modern Ireland. However, such a "big bang" perspective misrepresents the sophistication of economic debates prior to Whitaker's report as well as distorting the interpretation of subsequent developments. The paper secondly, by drawing on the contents of contemporary academic journals, reappraises Irish economic thinking before and after the publication of *Economic Development*. It is argued that an economically "liberal" approach to Keynesianism, such as that favoured by TK Whitaker and George O'Brien, lost out in the 1960s to a more interventionist approach: only later did a more liberal approach to macroeconomic policy triumph. The rival approaches to academic economics were in turn linked to wider debates on the influence of religious authorities on Irish higher education. Academic economists were particularly concerned with preserving their intellectual independence and how a shift to planning would keep decisions on resource allocation out of the reach of conservative political and religious leaders.

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BIOGRAPHICAL INFORMATION

Dr Graham Brownlow is a Lecturer in Economics at Queen's University Belfast (QUB). Graham's research, which has been published recently in a variety of outlets including the *Cambridge Journal of Economics* and the *Economic History Review*, is focused on institutional and evolutionary economics and economic history. He is a member of QUB's Economic & Financial Institutions Research Group (EFIRG).

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I. INTRODUCTION

Institutional economists and economic historians have written much on the supposed economic advantages that arise from having superior institutional structures (North, 1990). The experience of having a British rather than an Iberian colonial power is supposed to be one such advantage that gives a newly independent state a "pole position" in the "starting grid" of the economic development "grand prix" (North, 1990).[1] Ireland north and south of course provides an interesting natural experiment of this "grand prix" hypothesis. Economic historians of Ireland and institutional economists should therefore be interested in the observation that there were between six and seven decades between the attainment of political independence and the start of the Tiger economy.[2] Hence Ireland's economic success was delayed and it was not simply the inevitable result of the institutional architecture that it inherited from the days of British rule (Brownlow, 2009).[3] Garvin's *Preventing the future* explains Irish underperformance observed during the Golden Age of economic growth as being due to the ability of conservative political and religious vested interests to successfully oppose economic modernisation.[4] This negative coalition was according to Garvin able to stifle development for at least a generation (Garvin, 2004; Honohan, 2004; Murphy, 2005).

Garvin's thesis thus explains Ireland's poor showing in the "grand prix" of post-independence economic development in terms of failures within the Irish elite's control as well as events outside of its control. According to Garvin's analysis the education system was an important component in the failure of political and religious leadership to prioritise economic transformation over the maintenance of social stability. In this paper, rather than considering the economics of Irish institutions, the focus is on some of the major institutions of Irish economics. Garvin notes, in a speculation that links to an argument developed in section IV of this paper, that:

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[1] Another economic advantage Ireland had relative to other colonies was its starting point in terms of the level of economic development it had achieved prior to independence. In 1913 Ireland had a GDP per head of $655. This figure is much higher than then figure attained by most Third World countries on the eve of their own independence. A similar picture emerges if one considers other variables such as infant mortality, life expectancy, literacy and women's status a similar finding will emerge (Kennedy, 1996).

[2] It should be noted that Johnson and Kennedy argue that Ireland's economic performance in the period between the 1920s and the 1990s was not out of kilter with the mainstream European experience (Johnson and Kennedy, 2003).

[3] Moreover, independent Ireland's late start to industrialization may have been an advantage rather than a disadvantage because it was able to "leapfrog" a reliance on mature staple industries that elsewhere in the developed world had contributed to economic decline (Brownlow, 2009).

[4] For evidence of Irish economic underperformance during the Golden Age see (Crafts, 2008).

> It is perhaps significant that economics became the only developed social science in the emergent, mainly Catholic, new universities in modern Ireland not to have a large Catholic and clerical intellectual input (Garvin, 2004: p.52).

Indeed it was significant that economics escaped the fate of these other social sciences. Moreover, economists by the 1960s reacted to the existence of moral conservatism by following a quantitative research agenda that promoted modernisation and technocratic policy-making.

Economic Development is the prism through which much of contemporary Irish economic history has been understood. It should be noted at the outset that this paper does not ignore the importance of the Whitaker report; it merely contends in sections II and III that its message has been distorted. This distortion has been to the detriment of an accurate understanding of the role of economic thinking within Ireland's transformation since 1958. Such a misrepresentation of the historical record needs to be recognised if Ireland's institutional dynamics and its economic performance since 1958 are to be understood. The undeniable centrality of the Whitaker report to the economic historian, especially one informed by modern institutional analysis, is that the economic objectives *Economic Development* sought, ending what it called the “economic decadence” of emigration and unemployment, meant that Ireland's earlier institutional settlement could not persist over the long-run (Whitaker, 1958: p.2).

By implication then, the “big bang” view (explored in section II and III) is at best half right: while the Whitaker Report mattered to subsequent developments in economy, it did not matter for reasons that most writers have suggested it did. *Economic Development* mattered not because it ushered in Keynesian demand management, indicative planning or led inevitably to the Celtic Tiger: it mattered instead because it accelerated, through a process of accident rather than design, many of the underlying supply-side reforms that were needed. However, these reforms followed an interventionist interlude that was detrimental to long-term economic performance. The application of institutional economics is useful to understanding this process. The mechanisms that sustained Ireland’s supply-side reforms were exactly the kind of demographic and institutional changes that have been discussed by later institutional economists (Brownlow, 2002).

Sections IV and V seek to locate changes in Irish economics within changes within economics as a subject, rather than changes within Irish politics. In section IV an initial argument is made that inter-war Irish economic thinking was not backward as has been suggested by historians. It will additionally be argued that post-war Ireland was affected by two global intellectual revolutions within economics namely, it was affected by the emergence of Keynesianism(s) as a response to a “Keynesian Revolution” and it was also affected by the shift towards formalism. Section V in turn links the eclipse of toolkit economics to shifts in the practice of academic economics. By the 1990s the notion of a discernable Irish economic tradition seemed quaint in a way that a century earlier would not have been true. Independent Ireland was not unique in the path that its economic thought took over the course of the twentieth century. However, what was unique was the role that reactions to cultural and religious conservatism may have played in the direction that economic research took within Ireland. It is at this point that Garvin's insights connect with the history of Irish economics.

II. WAS ECONOMIC DEVELOPMENT A "BIG BANG"?

Writers on long-run economic development have repeatedly contrasted the protectionist economic ideology of the 1930s with the more liberal export-orientated strategy that became dominant from the 1960s until the present day (Kennedy, Giblin and McHugh, 1988: pp.55-75; Ó Gráda, 1997: pp.46-55). It has been widely recognised that the application of the earlier ideology had enduring consequences for Irish economic health even if protection failed as a policy of employment creation (Riordan, 2000; Regan and Cronin, 2000; Johnson, 1989). The later institutional settlement is likewise often characterised in the literature by the abandonment of the nationalistic and protectionist economic philosophy inherited from the 1930s. Yet it should be noted that the discussion in the literature of the exact institutional elements of the transformation process that led from an import substitution to an export-orientated strategy remains relatively obscure. This finding applies even to economists writing from a nominally institutionalist perspective (Mjøset, 1992: pp.262-282). While there have been some recent tentative steps in the direction of considering how institutional capacity and political economy affected economic development on the island there remains noticeable analytical and archival gaps where such a shift should ideally be explained.[5]

The existence of such gaps has led to repeated attempts at filling the void through recourse to a simple but misleading focus on locating a single event that can be viewed as a watershed or turning point in Irish economic performance. The usual way that the search for a discontinuity in the period in the years between 1945 and 1958 (some have also looked to the years 1932-1958 for the turning point) has been solved is to identify a key event. Economists, political scientists, literary critics to say nothing of civil servants and politicians have contributed to the construction of a historical narrative along these lines (Fanning, 1990: pp.74-76). The publication of *Economic Development*, also called the Whitaker report after its author, has been identified as just such a "seismic shift" in the creation of modern Irish economic development. The White Paper that stemmed from *Economic Development*, the first *Programme for Economic Expansion*, also plays a supporting role in this "big bang" literature (Bradley, 2001: p.4).

As will be shown in this paper terming this literature big bang, analogous to the scientific literature on the birth of the universe, is not too much of an exaggeration. Writers from this big bang perspective suggest that between 1948 and 1958 darkness and vacillation in economic policy reigned supreme. The big bang narrative contends that it was only the appearance of revolutionary documents such as *Eco-*

[5] An early attempt at such a discussion regarding the Republic of Ireland is (Barry, 2008a, 2008b and 2008c). In the case of Northern Ireland see (Brownlow, 2007) and for the two Irelands see (Brownlow, 2002).

nomic Development that took Irish economic policy out of the darkness associated with protectionism. FSL Lyons exemplifies this big bang interpretation of Ireland's modern economic history. In his epic, and highly influential, *Ireland Since the Famine* Lyons claimed that:

> *Economic Development*…was at once recognised not merely as an important contribution to the economic debate, but as offering a way out of the economic impasse. It is hardly too much to say, indeed, that even today it can be seen as a watershed in the modern economic history of the country (Lyons, 1973: p.618).

In some of the other standard works the supposedly revolutionary role of *Economic Development* is highlighted and taken for granted. By way of illustration, Ronan Fanning in *Independent Ireland* presents the Whitaker report as the central text of the Lemass (or what Fanning regards as the Lemass-Whitaker) era. He describes *Economic Development* variously as “a landmark in modern Irish history” which ushered in the new era of free trade (Fanning, 1983: p.192). In a later essay on the Whitaker report, which given the excessively reverential tones in which he writes about *Economic Development*, is aptly entitled “the genesis of economic development”, Fanning suggests that it is beyond dispute that the report “redirected the course of twentieth century Irish history” (Fanning, 1990: p.76).[6]

This narrative of *Economic Development* as a big bang is also an interventionist interpretation of Ireland’s economic performance since 1958. The eventual victory of a government policy of economic planning is an essential part of this thesis (Kennedy, 1990: p.14). The (often self-serving) narratives constructed in support of the big bang narrative are ones that assume prudent government intervention overcome market failure. Bradley for instance suggests that the contribution of Whitaker to Irish economic history was that *Economic Development* created a sustained government commitment to engage in “state intervention to manage aggregate demand and not leave the economy to the mercy of market forces” (Bradley, 1990: p.132). By way of further illustration, in the same book of essays in which Bradley's assessment appears, no Irish owned private sector firm even warrants a mention in the index (McCarthy, 1990a).

The unfortunate tendency to consistently view the causes of independent Ireland's economic performance solely through the lens of civil servants and politicians leads to a seriously skewed view of institutional and economic dynamics. Business plays, at best, a supporting role in these statist narratives. The assumption that was termed the “belief in the superior wisdom of the state” by William Kingston has affected historical interpretation as well as attitudes to contemporary policy (Barry, 2008a: p.259). From a modern institutional economist’s perspective, the assumption that an imperfect private sector response to trade liberalisation was inferior to an alternative response (real or imagined) based on intervention is guilty of committing what has been termed the “Nirvana Fallacy” (Demsetz, 1969). Likewise, the

[6] Lee also views the report as being highly influential and being based on reconciling Lemass's political needs with the nation's economic progress (Lee, 1989: p.373; Lee, 1990: p.124; Lee, 1996: p.59).

lazy assumption that the outcomes that followed interventions were superior to a market-based alternative is guilty of the same fallacy.

If the proponents of the big bang or statist narrative are to be believed it was only the intellectual brilliance of Whitaker and his team (and/or the Irish political class) that set Ireland on a course towards economic modernity (McCarthy, 1990b: pp.14-21). Hence it is correct to note the importance of personalities is another important component in the conventional narrative (Kennedy, 1990: p.14). The important role attributed to Seán Lemass in the literature is understandable. Lemass is often invoked in this influential interpretation of modern Irish economic history in order to emphasise the allegedly political rather than academic economic basis of the report's formulation (Bew and Patterson, 1982). Writers within the statist paradigm tend to disagree only on the respective degree of credit that should be attached to individual civil servants and politicians.[7]

Yet to present 1958 as a watershed, turning point or revolution that came "out of the blue", guided by exceptional technocrats faces at least two problems when confronted with the evidence: first, it both underestimates the economic debates that preceded 1958, debates that are touched on in sections IV and V of this paper, as well as second, it distorts our understanding of subsequent institutional and economic developments. Furthermore, the reforms of the 1960s through to 1980s were in any case not the inevitable consequences of *Economic Development*. The insights provided by "new" institutional economics means one should be profoundly dubious of the assumptions implicit in the conventional statist narrative. It is an interpretation that seriously underplays the role of incentives in determining economic performance. As has been discussed elsewhere, institutional changes are usually best conceived as being gradual, interlocking and path dependent (Brownlow, 2002).

The role attributed to Lemass in some of the literature provides clues on the motivations behind the conventional narrative. As Bryan Fanning has observed, it was within the pages of *Administration* that Whitaker's *Economic Development* came to be venerated as a classic of Irish economic writing (Fanning, 2008: p. 194). It is perhaps in the pages of *Administration* that the big bang approach with its focus on personalities, simplistic view of Keynesianism and disregard of the Nirvana Fallacy, came to be forged. Whitaker's thesis that cultural change was a precondition for improved economic performance mutated into a mantra that a cultural change had precipitated the economic boom of the 1960s and that 1958 was the key date in modern Irish history (Fanning, 2008: p.197).[8] This later response however is in sharp contrast to contemporary opinion. The *Irish Times* decided *Economic Devel-*

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[7] Compare for instance (Lee, 1989; Fanning, 1983: p.194).

[8] Moreover, despite the analytical weakness of the assumptions that underpin the "big bang" interpretation it is understandably a narrative that has not been abandoned by politicians of a range of parties. An interpretation of Ireland's economic transformation that places political actors at the centre of a process that led to a "Celtic Tiger" phenomenon, and which correspondingly tends to ignore the problem of government failure while overstating the extent of market failures, can only be popular with (vote seeking) politicians. It is an assumption that lives on in discussions of the origin of the Celtic Tiger (Brownlow, 2009).

opment contained “nothing basically new”, while both Dáil Éireann and the *Irish Independent* ignored debating it respectively either in public debate or editorial (Horgan, 1997: p.178). As Garvin has noted, the important impact of *Economic Development* to public debate was due to precisely the fact that it wasn’t radical. Indeed the report said what people wanted to hear from a government. Moreover, Irish newspapers, regardless of traditional allegiances had already by 1958 converged on a position similar to Whitaker (Garvin, 2008: p.18).

III. BIG BANG OR DAMP SQUIB? REINTERPRETING ECONOMIC DEVELOPMENT IN THE LIGHT OF ECONOMIC PERFORMANCE SINCE 1958

The essentially gradual character of the reforms that occurred 1945-58, which had implications for the development of economic policy after 1958, is underlined when it is noted that *Economic Development* itself is not the industrialisation based, free trade and Keynesian manifesto that it has been described as being in much of the literature (Bew and Patterson, 1982; McCarthy, 1990a; Ruane, 2008). In metaphorical terms, as Liam Kennedy has argued, *Economic Development* placed its money on the agricultural donkey rather than the industrial horse as the basis of progress (Kennedy, 1990: pp.14-15). Similarly, a close reading of *Economic Development* suggests that there is little evidence to suggest that substantial bets were placed on free trade and Keynesian horses either (though as we will see later, the notion of a single Keynesianism is arguably misleading in the Irish or indeed any other context).

The institutional prescriptions within *Economic Development* were also more nuanced than has been presented. One of Whitaker's messages was that different countries needed to follow different paths according to the specific economic circumstances they faced (Whitaker, 1958: p.6). The contents of *Economic Development* indicate that Ireland’s underdeveloped economic circumstances necessitated a market-led rather than an interventionist planning based approach to economic management. The market-orientated philosophy that underlined *Economic Development*, a philosophy with similarities to Rostow’s “non-Communist manifesto”, was most coherently summarised within its pages as follows:

> It is not so much a question of obtaining capital as of securing the necessary enterprise and technical competence the ‘know what’ as well as the ‘know how’. There is no evidence that any really good project has hitherto been stifled through lack of capital. For future development capital will be necessary but the real shortage is of ideas. These may have to come in part from external sources and are likely to fructify only if domestic conditions and policy are favourable to profit-making, and direct taxation is relatively light (Whitaker, 1958: p.154).

Crafts recently noted that Whitaker’s discussion of institutions anticipates the role of incentives within contemporary growth economics (Crafts, 2008). While it is true that *Economic Development* is of interest to contemporary growth theorist, the report is arguably of even more interest to an institutional economist or a historian of economics. By way of illustration, the report recognised that institutional changes could aid development; it also recognised that economic shifts were going to force legislative changes. A clear example of this recognition is presented in the statement that: “If foreign industrial investment in Ireland does not rapidly increase, a more radical removal of statutory restrictions should take place” (Whitaker, 1958: p.160).

Likewise, the report's recognition that through relying on external investment the scope of political interference was reduced in plant location and organisational decisions is an important one that has been largely neglected. It was an important observation not even mentioned in the *First Programme* (Whitaker, 1958: p.43). Yet there was also a heavily political tinge in much of the focus of *Economic Development* itself that tended to dilute the overall level of the report's radicalism. For instance, the report argued there were “compelling reasons” for having seven industrial promotion bodies rather than one. However, the report outlines no such reasons leaving the reader to guess what these compelling reasons were (Whitaker, 1958: p.157).

A sub-literature, epitomised by a fest rift for Whitaker, has emerged claiming that *Economic Development* represented the full flowering of Keynesianism in Ireland (McCarthy, 1990a). For instance, John Bradley after surveying this literature suggests that the Whitaker report undoubtedly represented the “arrival of Keynesian macroeconomic thinking and policies in Ireland” (Bradley, 1990: p.131). Bradley's further claim that inferring pre-Keynesian influences in *Economic Development* is “wide of the mark”, itself seems a dubious claim given the actual contents of the report (Bradley, 1990: p.132). In truth the Whitaker report reflected pre-Keynesian views in its discussion of “crowding out”. This pre-Keynesian tenor reflected Whitaker’s own rejection of much of what would now be regarded as part and parcel of Keynesianism, and corresponding advocacy of what would now be termed “capital fundamentalism”.

Whitaker, for instance, in his 1956 paper in the JSSISI was dismissive of the notion of a multiplier. Whitaker’s critique of the multiplier has a number of components to it. However, his most radical dissention from this aspect of what was fast becoming the textbook Keynesian framework was his contention that under Ireland’s economic circumstances any pump-priming based on the multiplier framework could promote contraction rather than expansion:

> Much of the new incomes [generated by an expansion] would be spent on imports-initially perhaps the greater part—and the process of generating incomes might cause such a serious upset in the balance of external payments—with loss of external resources or reduction in the exchange value of the currency—as to impair public confidence and negative (sic) the initial boost given by the increase in home investment (Whitaker, 1955-56: p.197).

Whitaker was more in tune with the tenor of the times with the emphasis that he placed on the role of physical capital accumulation in economic development (Whitaker, 1955-56). This emphasis he shared with the capital-laden rhetoric of the then fashionable Harrod-Domar growth model as well as the Rostowian take-off paradigm (Whitaker, 1955-56).

Even less was *Economic Development* a document based on promoting the virtues of a dirigiste and redistributive form of economic planning. TK Whitaker had no desire to emulate PC Mahalanobis.[9] The second sentence of the introduction makes this clear: "It is well to reiterate here that the aim is not to draw up a detailed five or ten-year plan of national development. For a small country so exposed to the perpetual flux of world economic forces there would be little sense in trying to establish a rigid pattern of development" (Whitaker, 1958: p.1, p.7).[10] The analysis presented in *Economic Development* suggested that a fundamental trade-off existed between raising social welfare and stimulating output growth:

> If resources are being used to the maximum to provide productive employment and raise all-round living standards it is impossible to devote them at the same time to improvement in social welfare-the national candle cannot be burned at both ends (Whitaker, 1958: p.24).

Whitaker was clearly prior to the publication of the *First Programme* highly sceptical of both the aim of full employment and the use of planning as a means of attaining unemployment reduction. Whitaker, along the lines similar to George O'Brien, considered that the high degree of openness of the Irish economy to international trade was a vital consideration in the formulation of macroeconomic policy. Whitaker was particularly concerned that the extent of openness undermined the applicability of the multiplier concept (Whitaker, 1955-56: p.197). Whitaker and O'Brien's sceptical attitude towards interventionism fell out of favour in the 1960s. Yet the failure of the Second and Third Programmes (and the related macroeconomic problems of the 1980s associated with debt and stagnation) necessitated a shift away from these interventionist and planning-based interpretations of Keynesianism. Irish economic policy by 1992 was closer to that advocated by O'Brien and Whitaker than the policy model advocated by Lynch and FitzGerald in the 1960s.

Economic Development, reflecting academic debates during the inter-war period, also viewed the supply-side as the key to improved trade performance. It suggested that increased production was the only way to reconcile the competing demands of internal and external balance (Whitaker, 1958: p.16). In contrast, it described jobs created via expansionary demand-side policies as being "artificial". The tax cutting and capital switching recommendations within *Economic Develop-*

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[9] Professor Mahalanobis was a distinguished statistician and was instrumental in the creation of a model, which owed much to Soviet models of central economic planning, that provided intellectual justification for India's economic plans after the 1950s (Lal, 2008).

[10] Indeed, returning to the "Nirvana Fallacy" point, the Whitaker report itself is more market-orientated than it is usually presented. *Economic Development* held up the social market policies of West Germany as the model of developing an economy (Whitaker, 1958: p.3). For this reason alone, Ruane's argument that the report is authored by writers "not quite believing in markets" seems wide of the mark (Ruane, 2008: p.17). Ruane also ignores the fact that *Economic Development* is far more market-orientated than the analysis underpinning the Second or Third Programmes. In terms of economic tools the improvement of the supply-side, through the tackling of restrictive practices and the sources of poor productivity, rather than a vulgar "Keynesian" pump priming exercise is the employment creation strategy advocated in *Economic Development* (Whitaker, 1958: p.26). Likewise, the *First Programme* also rejects state planning (Department of Finance, 1958: p.7, p.34).

ment were eclipsed by the subsequent shift towards welfare and higher spending (Barry, 2008b: p.27).[11] While the report called for low taxation it made clear that low taxes were needed to attract "wealthy foreigners" and FDI in that could generate "productive enterprise", rather than boosting disposable incomes (Whitaker, 1958: pp.23-25). It is notable that the only mention of demand-side deflation in *Economic Development* is as a negative implication of emigration. Yet even the economic discussion of emigration is also supplemented by a profound concern with the supply-side consequences of a reduced labour supply (Whitaker, 1958: p.5). The emphasis of this discussion on the supply-side is repeated in the text of the First Programme (Department of Finance, 1958: p.35).

Neither was *Economic Development* the doctrinaire free trade manifesto that Fanning argues it was (Fanning, 1983: pp.194-196). The advantages of protectionism in the Irish case were not challenged in either it or the *First Programme*. Indeed the *First Programme* actually talks of the "substantial advantages" of developing industry "under Irish industry and control" (Department of Finance, 1958: p.36). The philosophy of the 1932 institutional settlement was actually identified as diversifying and developing the domestic economic base to an extent that would not have been possible without rejecting free trade (Whitaker, 1958: p.13). Despite that endorsement, *Economic Development* recognised that the days of Irish protectionism were numbered. Political realities however constrained as late as 1958 how critical authors could be of the protectionist lynchpin of economic strategy. The Irish situation was put in the following stark terms:

> …sooner or later, protection will have to go and the challenge of free trade be accepted. There is really no other choice for a country wishing to keep pace materially with the rest of Europe (Whitaker, 1958: p.2).

Economic Development was nevertheless enthusiastic in its support for export-orientation. Yet the arguments used to support a policy of export-led growth tell us much about the wider supply-side constraints that Ireland faced. The report, in the case of the pork and bacon industry, actually went so far as to suggest that the domestic consumer should if necessary go short to allow the export base to grow (Whitaker, 1958: p.99).[12]

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[11] The Following passage makes clear the "pre-Keynesian" views of the report and it stands in stark contrast to the message of the *Third Programme*:

If the objective of an expanding economy is not to be jeopardised, the right cause is to replace social investment by productive investment which will provide self-sustaining and permanent employment (Whitaker, 1958: pp.3-4).

[12] The proportion of Irish exports going to the UK showed only a small reduction from 99 per cent in 1924 to 93 per cent by 1950 (Bradley, 2001: p.7). By the time that *Economic Development* was published this share was still 76.9 per cent, though this lower figure implies notable diversification between 1950 and 1958. Moreover, by the time of the *Second Programme* in 1964 the share had fallen to 71.5 per cent (*Statistical Abstract of Ireland 1964:* p.149). It should be reiterated that *Economic Development* itself did not advocate diversifying export markets away from Britain. In fact the Whitaker report argued for exactly the opposite aim of raising Ireland's exports to Britain (Whitaker, 1958).

Had Ireland followed the path outlined in *Economic Development*, then the share of exports going to Britain probably not have continued to fall. All of this evidence would suggest that the economic switch to a more diversified export base preceded the process of institutional convergence with Europe, rather than the other way around. This is a possibility consistent with North's later views on the links between institutional change and economic development (North, 1990). What is not beyond doubt is that the key policy instrument which underpinned the transition towards rapid economic growth, a low corporate tax to attract inward investment, was an option that relied on political independence (Crafts, 2008: p.6).

IV. IRISH RESPONSE TO GLOBAL "REVOLUTIONS" WITHIN ECONOMICS 1958-PRESENT

It has been observed that Garvin has argued that many accounts of Irish socio-political history suffer from the unfortunate habit of viewing Irish affairs as unique. Garvin's work in contrast highlights the importance of the comparative perspective (Murphy, 2005: pp.368-9). It is from Garvin's comparative vantage point that the next two sections of the paper attempt to explain trends in Irish economic management as in part representing responses to intellectual revolutions within economics rather than being purely the result of heroic civil servants or politicians. Honohan in his review of Garvin for instance made much of the lack of adequate investment appraisal and indeed any "adequate intellectual framework for thinking about development policy" (Honohan, 2004: p.352).

As will be shown below, this state of affairs changed after 1958 and the change accelerated in the 1960s. However, it will also become clear that the Irish economic profession's response to global changes in the practice of economics was shaped in part by the cultural conservatism enforced within Irish society and academia as well as the emergence of new patrons for economic research. Ireland was however far from unique in this regard. What was unique in the Irish case was the relationship between academia and the church. Economists, as Garvin noted, managed to retain their intellectual independence from the clergy. In the process economists avoided the unhappy fate of the Irish sociological profession.

Another important observation made by Garvin, and of relevance to this paper, is that historians and social scientists have not considered placing Irish economics in a sufficiently comparative context. In particular the failure to compare the contents of Irish journals with international journals of the period has sustained the misconception that Irish academic economists were bypassed by changes in economic thought. Likewise, reflecting the statist assumptions discussed earlier in the paper, it has been argued by historians that civil servants were unusually far sighted. Ronan Fanning has been instrumental in promoting this line of argument. He stated in 1984 that "…it is impossible to absolve university economists [between 1922 and 1952] from Geary's charge of sulking in their tents clutching to the tenets of pre-Keynesian creeds" and he has more recently described the contribution of academic economists before 1948 as "lamentable" (Fanning, 1984: p.154; Fanning, 2008: p.4).

That Irish academic economists were not listened to is indisputable, but that of course is not evidence by itself that they were outdated in their views. Moreover, in George Duncan's publications of the period that Fanning commentated on there was plenty of analysis that could not be regarded as lamentable by any fair minded observer of contemporary economic thinking (Murphy, 2006). More generally, Fanning's excessively negative assessment of trends in interwar Irish economic thinking, an assessment not based on any academic background in economics, is inconsistent however with more recent research in the history of economic thought (Laidler, 1999; Blaug, 2003). Indeed a much more detailed analysis of Irish economic thinking during the twentieth century does not lend support to Fanning's assessment (Brownlow, forthcoming).[13]

It has been observed that Austrian-leaning critics of the new economics such as George Duncan were marginalized by the growing influence of Keynesian rather than Hayekian economic rhetoric (Murphy, 2006). Critics of Keynesianism such as Knight in the USA or Robertson and Hayek in the UK were thus marginalized as economic debate shifted onto a new rhetorical terrain. It is crucial to note that the Austrian leanings within George Duncan and George O'Brien's writings during the interwar period was a perspective held by many respectable figures within the global economics community. It was the publication of the *General Theory*, and its relative political attractiveness, that led to the eclipse of Austrian business cycle theories.

Debates on economic policy among academics in Ireland as elsewhere were therefore more pluralistic before 1936 than after it. Subsequent debates would focus on deficient demand as an explanation of unemployment. However, the role of planning in demand management and supply-side reform would divide economists in Ireland. Disagreements on these topics were natural given the ambiguities within the *General Theory*. It has been noted by David Colander that there are around eight or nine different interpretations of Keynes' ideas, so what Keynesian economics really implies has been inevitably left open to dispute (Colander, 1992). Colander for his part distinguishes between three different approaches. He identifies an early informal Keynesianism that had evolved by the 1960s into a semiformal Neo-Keynesianism based on the IS/LM model. This semiformal approach was in turn replaced by an even more formalized New Keynesianism, which was based on general equilibrium thinking. Examples of the first two approaches can be found in the writings of Irish economists produced between 1936 and the 1960s. A related way to interpret the evolution of Keynesianism is to accept Davidson's view that a variety of Keynesian economics emerged to suit different positions on the political spectrum (Davidson, 1972).

O'Brien's line of argument, reflected his market-orientated views, and his approach to macroeconomic topics evolved along what Davidson termed "Keynesian" or "neo-classical Keynesian" lines. In his later writings he supported using demand management to secure full employment, but he was simultaneously critical of the

[13] As discussed in more length within Brownlow (forthcoming). See also (Laidler, 1999: p.323-340).

effectiveness of more ambitious or interventionist forms of planning (O'Brien, 1946; 1948). Yet O'Brien's interpretation of the *General Theory* was a view not held by Ireland's emerging generation of economists. It was claimed by these younger economists that the Irish economy required state planning as in their view inadequate investment (rather than deficient consumption) was the basis of its economic problems (Lynch, 1944-45: p.439-440). This more interventionist interpretation in turn reflected the social democratic political values held by these economists.

A second intellectual revolution within economics was based on formalization within economics. Academic economic debate in the inter-war period was conducted in an informal and pluralist way compared to the way it would be conducted in the post 1945 period (Morgan and Rutherford, 1998). Ireland was no exception in this regard as an examination of articles by Irish academics written during the period confirms (Brownlow, forthcoming). American evidence indicates that the transition from pluralist and informal economics of the interwar era into the formal and neoclassical mainstream of the 1960s and 1970s came in two distinct stages (Morgan and Rutherford, 1998). In the first stage of the formalist revolution, Morgan and Rutherford note that objectivity came to be associated with economists following an objective and scientific set of tools (Morgan and Rutherford, 1998: p.9). The second stage involved a switch to greater abstraction. The "measurement without theory" debate reflected this transformation (Morgan and Rutherford, 1998: p.10; Mirowski, 2002).[14] During the Cold War a turn towards geometry, algebra and measurement (and the image of objectivity it presented) offered a defence to academics from political opposition to ideas that might have been regarded as radical if presented in the form of words (Morgan and Rutherford, 1998: 15-17).

As has been argued at greater length elsewhere, in Ireland during the 1960s similar outside pressures for political conformity existed that tended to promote toolkit rather than literary forms of analysis (Brownlow, forthcoming). Yet even this toolkit form of economics would seem quaint by the 1990s. Ireland's evolving economic policy response after 1958 needs to be interpreted in the light of shifts within the practice of academic economics. There was a close relationship between the drive to planning or programming, which was stimulated by Ireland's economic stagnation during the 1950s, and the drive to measurement and formalization.[15] Planning implied forecasting and forecasting implied the existence of a reliable econometric toolkit (Lynch, 1953: p.246, 1963). Morgan and Rutherford's explanations for the initial success, and subsequent transformation, of toolkit economics in America have a number of other parallels in the Irish case. There has been some attempt to present the creation of state enterprises and other elements of economic planning as evidence that secularism and pragmatism were by the 1960s the order of the

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[14] The methods that can be placed in the early "toolkit" category include cost-benefit analysis, agricultural economics and econometrics (Morgan and Rutherford, 1998: p.9). In the case of American economists it should be noted that this toolkit approach was given a major spur by the experience of military and economic planning during the Second World War (Morgan and Rutherford, 1998: p.13; Mirowski, 2002).

[15] For more on Roy Geary see (Spencer, 1997 and Brownlow, forthcoming).

day.[16] However, arguing that Ireland was pragmatic by this time is an argument that appears to be grounded more in wishful thinking than in the historical record. In the 1950s and 1960s public attitudes to partition, the Irish language, sexual behaviour, abortion and divorce were hardly "instinctively pragmatic" (Garvin, 2004).

Instead of a consensus there was a cultural divide running through Irish public opinion. As Garvin demonstrated, an alienated educated minority had even by the early 1960s little influence on the direction of policy relative to a less educated conservative majority (Garvin, 2004: p.256). The existence of this divide bred resentment within the universities and by the 1960s this resentment provided a fertile soil for a shift against conservative influences within Irish higher education and society (Garvin, 2004: p.259). It is true that younger economists, especially those associated with UCD such as Alexis FitzGerald, Garret FitzGerald and Patrick Lynch, were arguably part of this anti-clerical tendency.

The contrast identified by Garvin between the Roman Catholic church's controlling influence within other branches of Irish social sciences relative to the comparatively autonomous direction that economics took within the universities highlights issues of relevance to the study of Irish economics as well as the more general issues raised by *Preventing the future*. The contrast also shines a light on how textbook choice affects the communication of ideas. Conway, and more recently Fanning, has observed that the Roman Catholic Church was essential to the direction that sociology as a discipline within Ireland took during the twentieth century (Conway, 2006; Fanning, 2008). In Conway's view the church controlled the discipline not merely via academic appointments and promotions but also through the contents of textbooks (Conway, 2006: p.13). As Fanning has put it censorship within Irish sociology continued "long after literary censorship and other forms of cultural isolationism became unfeasible" (Fanning, 2008: p.133). Patrick Lynch's and Garret FitzGerald's critiques of Irish sociologists opposition to state interventionism become easier to explain when set in the context of this wider cultural divide (Lynch, 1965; Conway, 2006: p.18).

Contemporaries were well aware of the role of economists in the wider cultural debate. Black, writing in a symposium on *Economic Development*, was explicit in noting the tensions that existed between the need for economic modernisation and

[16] As the then academic economist, and future Taoiseach, Garret FitzGerald expressed it:

> It is clear that in the 1950s and early 1960s the Irish people were instinctively pragmatic in their approach to problems, tending to reject ideological attitudes as divisive, and concerned to secure a consensus on important issues of policy…This represented a very sharp change from earlier decades, when the country was deeply divided on matters of political ideology, if not social or economic ideology. It may well be that the depth of these earlier divisions, and their disruptive effect on Irish society for several decades, together with the fact that in retrospect many of the political issues that had divided people so deeply began to be seen as unreal, may have induced a positive reaction against the divisive effects of ideological commitments of any kind, encouraging instead a search for a consensus; in which the form of indicative economic planning adopted in Ireland could play an important role (FitzGerald, 1968: pp.197-198).

what he termed “the ideas of the past” that would block the social changes associated with such modernisation (Ó Nualláin, 1958-59: pp.123-124). In the same symposium, Lynch observed that it was the young that were most enthusiastic about what he perceived to be the Whitaker’s report focus on planning (Ó Nualláin, 1958-59: p.146). As we’ve seen earlier in the paper, *Economic Development* was not a statist document, but interventionism in the form of economic planning was an especially appealing option for Irish educated younger economists desiring greater autonomy from religious and political interference. Planning deliberately placed the allocation of resources in the hands of economists rather than political or religious leaders (Lynch, 1963; FitzGerald, 1968: p.204).

Likewise, even the trend towards toolkit economics may have been consolidated in part by the cultural divide. Formal tools, such as input-output modelling or linear programming, were easy to present as facilitating a modern quantifiable and scientific alternative to the “very powerful demagogic pressures” associated with political ideology and economic nationalism (Lynch, 1963: pp.150-58; FitzGerald, 1968: p.197, 204). It is notable that the presentation of the programmes in terms of technical material, such as input-output tables and linear programming, had the result of ensuring that the public debate on the purpose and function of planning was minimal (FitzGerald, 1968: p.198). The focus in this paper is on the academic debate on the links between Keynesianism and economic planning during the 1950s and 60s. The outcome of this debate continued to have ramifications until the eventual transformation into a much milder form of planning in the 1980s and 1990s. The First Programme was succeeded by the more detailed Second (1964-70) and the Third (1969-72) Programmes. These two later Programmes both failed to meet their targets.[17] It was at this point that Whitaker and O’Brien’s more economically liberal approach slowly moved into the intellectual ascendancy.

V. THE ECLIPSE OF THE TOOLKIT APPROACH IN IRELAND

Education is a vital element within Garvin’s hypothesis. It was through an underdeveloped education system that Garvin suggests that economic malaise and cultural conformity were reinforced (Garvin, 2004; Honohan, 2004; Murphy, 2005). In this section of the paper we consider how the changing academic environment created a new “division of labour” within Irish economics as the era of toolkit economics gave way to a new generation more eager to promote formalism and more likely to have been trained outside of Ireland. Whitaker and other policy makers were eager in the wake of *Economic Development* for the universities to play a greater research role in policy-making. Yet as a number of academic figures argued, the universities were too overstretched with teaching commitments to fulfil this role adequately (Ó Nualláin, 1958-59: p.121; Kennedy, 1993: p.226).[18] Ó Nualláin, in a

[17] With hindsight it is notable that the Central Bank was critical of the potential macroeconomic impacts of the Second Programme’s proposals for public sector growth (Ó Gráda, 1997: p.76-78).

[18] The 1960s were a turning point for higher education. University numbers grew from around 3,000 to 10,000 between 1924 and 1962 and from 18,000 to 93,000 between 1964-5 and 1993-4 (O’Brien, 1962:

symposium on the Whitaker report, suggested that an "Economic and Social Research Centre" be established to fill this gap by conducting research on important social and economic matters (Ó Nualláin, 1958-59: p.121).

The Economic Research Institute (ERI), which was established in 1960, was hence created to fill the research gap identified by Ó Nualláin. However, as the name suggests, the ERI was initially only concerned with economic issues in its research agenda. The scope was only broadened to include sociological matters when the government took over the major financing in 1966. The ERI was at this point renamed the Economic and Social Research Institute (ESRI) (Meenan, 1980: p.206).[19] The Ford Foundation funded and promoted a research model that promoted "basic theories", albeit only of certain intellectual hues, being subjected to "the acid test of verification" (Brady, 2006; Goodwin, 1998: p.77).

It was along these lines that the Britain's National Institute for Economic and Social Research (NIESR) was supported by the Ford Foundation between 1957 and 1962 (Backhouse, 2000: p.34). The NIESR had an emphasis on applying formal techniques to issues affecting the UK economy. The ERI faithfully copied this research model. The ERI/ESRI was instrumental in applying the toolkit approach through the 1960s.[20] Furthermore, the Institute also pioneered the application of mathematical methods, such as operational research, to policy-making (Kennedy, 1993: p. 238). The ERI therefore provides a crucial example of how an American donor's preferences further moved Irish economics in the direction of an internationalized research programme.

Moreover, in the early 1960s there was no hope of securing senior staff at home because of a shortage of suitable candidates (Kennedy, 1993: p.229). Hence the Institute from its very inception was international in staffing. In its first five years the ERI had no Irish research staff (Kennedy, 1993: p.231).[21] Another significant organizational aspect of the ERI/ESRI's role in promoting internationalization was that it was instrumental in bringing major international conferences to Dublin (Kennedy, 1993: p.238). Such conferences promoted internationalization because they provided Irish-based economists with examples of "best practice" from which they

p.23; Garvin, 2004: p.202). Rising student numbers reflected, and in turn further stimulated, a structural shift towards managerial and financial employment.

[19] The ERI was formed in 1960 on the basis of a grant obtained from the Ford Foundation of $280,000, equivalent at the time to £IR 100,000 (Whitaker, 1986: p.10). The lack of an organized research capability explains why for their part, senior economists were so eager to secure funding for a research centre. For more on the Ford Foundation and its implications for economic research in America, western Europe and Ireland see (Brownlow, forthcoming).

[20] The ESRI for instance provided advice an input-output analysis of the economy in 1970 as part of the Second Programme (FitzGerald, 1968: p.71; Kennedy, 1993: p.239). The contribution of the ESRI to economic planning was important because while Roy Geary and the ESRI's CEV Leser had advocated a Dutch style input-output model as a basis for planning, other major figures within Irish economics such as Whitaker and Garret FitzGerald had been more suspicious of such formalism (Daly, 1997: pp.173-176).

[21] CEV Leser, a German econometrican employed at the ERI, was for instance important pioneer in the development of quantitative economics within Ireland (Daly, 1997: p.177).

could learn. The best practice followed was a combination of Neo-Keynesian macroeconomics and formal approaches to microeconomics.

In line with the Ford Foundation's wishes, and even after the government took over funding, the research programme at the ERI/ESRI came to be equated with the production of econometric forecasts based on formalized macroeconomic models as well as quantitative microeconomic studies. Furthermore, the Institute influenced further generations of researchers even after the experiment in planning was abandoned. Academics often started their career at the ESRI before moving into academia (Kennedy, 1993: p.230). However, by 1992 this ESRI research programme could be contrasted with the much more abstract theoretical work being conducted in the universities. Toolkit economics was eclipsed in Ireland, as elsewhere by the more formalistic approaches to economic research identified by Morgan and Rutherford. By the 1990s, if not earlier, the usefulness of the term "Irish economics" may indeed have become questionable. Again Ireland was by no means unique in this regard: similar patterns have been found elsewhere in the literature on the internationalization of economics.

VI. CONCLUSION

This essay has sought to explore the fabrication of what constituted Ireland's economic literature during the twentieth century and the place of *Economic Development* within this literature. The focus has therefore not been on the economic or political history of Ireland, rather this essay has attempted to link the development of Irish economics to the kind of topics studied in Garvin (2004). What has been shown is that "myth making", which is an omnipresent feature of Irish historical writing, has existed in some previous writings on the development of Irish economics. For instance, when Irish economic thinking is compared relative to economic thinking elsewhere, Ronan Fanning's negative assessment of the quality of Irish economic thinking between the 1920s and 1950s is untenable.

This paper concludes with some ideas for future research as well as connecting the analysis presented to Garvin's *Preventing the future*. In terms of reversing the anti-market (or pro-interventionist) bias observed in much that has been written previously about the place of *Economic Development* in modern Irish history, as well as improving the sophistication of the discussion of microeconomic topics, it might be worth trying to develop the standing of contemporary business history in Ireland. Such a shift would provide a more fully formed view of the processes underpinning Ireland's economic transformation. Moreover, if greater attention was placed on the archival record of firms (rather than politicians responding to the pleas of firms) it may help historians better assess the role of lobbying and rent-seeking in Irish society as well as making it easier to explain the often inferior business performance of indigenous firms, with their strong political connections, relative to inward investors. A greater historical awareness of the development of business organization would improve our understanding of modern political as well as economic history.

Another research implication of the analysis presented here is that further research on the development of Keynesianism in Ireland is needed. As discussed here, and at more length elsewhere (Brownlow, forthcoming), Keynes ideas were discussed by academic economists as well as policy makers. One interesting observation is that supporters as well as critics of interventionist approaches to Keynesianism thought that Ireland's economic conditions necessitated a modification of the framework away from British practice. Likewise, the precise intellectual influences on the development of the Central Bank's economic thinking and the consequences of this research in turn for Irish macroeconomic policy both remain under-researched.[22] The extent to which Ireland's monetary authorities merely copied British policy practice rather than considered the implications for Ireland of the emerging academic research within monetary economics remains an open question suitable for future research.

Irish economic thinking is a topic which could benefit from further revisionist research. If the myths, Whig assumptions and parochialism that still in 2009 are allowed to dominate and hold back the discussion of the development of Irish economics are to be replaced totally by a solid scholarship, then the original sources, be it archival or journal based, need to be read, critically and honestly before being compared with what was happening elsewhere. As Garvin has shown, great insights can be drawn from comparative approaches to Irish history. The development and eventual disappearance of Irish economics is no exception to this methodological observation.

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