

**THE POLITICS OF ECONOMIC REALIGNMENT,
IRELAND 1948-1964**

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I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Ph.D. is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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ABSTRACT

The politics of economic realignment, Ireland 1948-1964

This dissertation analyses the transformation of Irish economic policy formulation from the formation of the first inter-party government in 1948 to the breakdown of Ireland's application to join the EEC in 1963 and its immediate consequences. Based on extensive research in departmental files, and the personal papers of politicians and other policy players, and interviews with officials, businessmen and others who were active during the period, the study has a dual approach. It offers a historical analysis of the route Irish policy makers took in moving economic policy from a protectionist framework to one in which interdependence with other economies was assumed. The study also discusses the influence of trade unions, employers' groups and farmers' organisations on policy and on each other and charts shifts in their thinking on key issues of economic management. It is argued that their dealings with government during this period marked the inception of a corporatist style approach to national policy making.

This thesis argues that changes in thinking at both a governmental and a non-governmental level led Ireland to adopt an interdependent approach to economic policy making. While some policy makers were reluctant to accept any form of multi-lateral trading arrangements which would alter protected industry and the country's privileged access to British markets, the severe economic crisis that affected Ireland throughout the 1950s led to the adoption of fresh economic thinking both within and outside the civil service.

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Abbreviations

CIO	Committee on Industrial Organisation
CIU	Congress of Irish Unions
EEC	European Economic Community
EFTA	European Free Trade Area
FUE	Federated Union of Employers
FII	Federation of Irish Industry
FIM	Federation of Irish Manufacturers
GATT	General Agreement on Tariffs and Trade
ICTU	Irish Congress of Trade Unions
ICMSA	Irish Creamery and Milk Suppliers Association
ITUC	Irish Trade Union Congress
IDA	Industrial Development Authority
NA	National Archives
NATO	North Atlantic Treaty Organisation
NFA	National Farmers Association
NIEC	National Industrial Economic Council
NL	National Library
OEEC	Organisation for European Economic Cooperation
OECD	Organisation for European Cooperation and Development
PUTUO	Provisional United Trade Union Organisation
TUC	Trade Union Council
UCDA	University College Dublin Archives Department

Introduction

The decision of the Irish government to seek membership of the European Economic Community [EEC] in 1961 marked the climax of a transformation in Irish economic policy formulation. From 1948 when the first inter-party government took office, successive governments were plagued by a series of balance of payments crises and a general economic malaise which by the time Fianna Fail regained office in 1957 had reached epidemic proportions. It had become painfully obvious within the policy making arena that protectionism, in place since 1932, and the country's over reliance on the British market offered no real future for Irish agriculture or industry. Yet this view was not unanimous within or outside the government and civil service. Some policy makers were reluctant to accept any form of multi-lateral trading arrangements which would weaken protected industry and the country's privileged access to British markets. However, by the end of the 1950s this had become very much a minority view associated mainly with the Department of Industry and Commerce and sections of a number of interest groups, most notably parts of the trade union movement and segments of the protected industrial sector.

Much has been written about the Irish economy in this period from both political and historical perspectives. While some commentators have written straightforward historical accounts of the process of the Irish economy from protectionism to free trade, others have written more polemical accounts and in many cases have come to the material with predefined ideological notions. This study is a historical account of

changes in public policy and uses various archive sources to augment secondary material and interviews with prominent players in the period. Thus it is a political study of a historical change in public policy. Joseph Lee in the preface to his monumental study of modern Ireland warned of the dangers of the massive expansion of archival material available to researchers:

The avalanche of archival material, only a small fraction of which has been excavated, not only threatens to obscure perspective beneath mounds of detail, but also to lull the historian, starved for so long of any archival sustenance, into complacency concerning the enduring quality of his necessarily provisional conclusions.¹

While much of this thesis is archivally based I have attempted as far as possible to follow Lee's dictum and place the arguments contained within it on a wider base. This is something that others working in the area have not aspired to. Brian Girvin for instance in his influential study of politics and economics in independent Ireland offers little analysis of the role of interest groups in the policy process.² While he does shed some light on the relationship between trade unions and government in the period, as do Paul Bew and Henry Patterson in their work on Sean Lemass, none of these authors expand their analysis to include other economic players.³ On the other hand those writers who have examined the role of economic actors within the policy process such as Niamh Hardiman and John Gibbons do so from the perspective of the relevant participative interest group and for the most part avoid any engagement with government archives.⁴

Thus this thesis has two objectives. It aims to chart the route Irish policy makers took in moving economic policy from a protectionist framework to one in which interdependence with other economies was assumed. It also analyses why Irish policy

makers chose to pursue one set of policy objectives over others. In particular it illustrates why the government decided to opt for entry to the EEC rather than the European Free Trade Area [EFTA] and it charts the Irish negotiations to join both organisations.

The thesis also examines the role and functions of economic interest groups and their relations with the government as it moved from protectionism to economic interdependence during the period. Girvin, Hardiman and Charles MacCarthy have looked at the role of the trade unions in relation to the development of the economy and pay bargaining in the period. Basil Chubb has gathered together a collection of essays which traces the development of the Federated Union of Employers [FUE], while the farmers organisations have been the subject of a number of key articles.⁵ Yet none of these studies offer a satisfactory framework for analysing the influence that these groups had on government policy and on each other. Trade unionists, industrialists and farmers all had a recognisable input into the economic policy process. Within a decade of their formation in 1955 the National Farmers Association [NFA] had received formal open acknowledgement that in future the government would welcome regular and full discussions and consultation with them in the formulation of agricultural policy both broad and specific. Furthermore, throughout the period the government kept both the unions and the representatives of Irish industry fully informed on economic developments and were urging both by the early 1960s to become participative planners with the government in its new approach to economic thinking.⁶ This they did through bodies such as the Committee on Industrial Organisation [CIO] and the National Industrial Economic Council [NIEC].

There is a substantial and growing literature on corporatism in Ireland. Panitch in 1980 described corporatism as a 'political structure ... which integrates organised socio-economic producer groups through a system of representation and co-operative mutual interaction at the leadership level and mobilisation and social control at the mass level'.⁷ The increased role of interest groups, particularly the farmers, unions and employers, in policy formulation coupled with the more active part played by the state in the running of the economy has led some commentators to express the view that a form of decision making known as neo-corporatism emerged in post-war Ireland.⁸ Yet much of the debate on corporatism in Ireland concentrates on the mid 1960s onwards and analyses its contribution in terms of pay bargaining and centralised agreements. This thesis argues that what emerged out of economic policy making of this period was a conscious state directed decision to involve the main economic players in policy formulation for the first time in the history of the state. Within the constraints of the time the government decided that such an overt form of co-operation was intrinsic to the well-being of the country's economy. By the early 1960s a political structure was in place which did indeed integrate socio-economic producer groups into the policy making system and it is within that framework that the term corporatist is used in this thesis. Lee first touched on the corporatist ideas of Lemass in 1979 when he declared that Lemass 'presided over the establishment of new procedures for economic and social decision making. Under his aegis Ireland began to shuffle towards a version of the corporate state'.⁹ By 1960 Lemass in conjunction with the secretary of the Department of Finance, T.K. Whitaker, had actively embraced the concept of interaction with economic interest groups. Lemass's corporate state would come to include the civil service, private enterprise, the trade

unions and farmers in a bid to improve Ireland's development. This was not corporatism in a conscious ideological sense but a distinct response to changing economic conditions both in Ireland and further afield. A recent study has concluded that 'the Irish state certainly held the initiative - with ministers, civil servants and consulting academics propagating the gospel of 'modern capitalism' and proposing a host of administrative reforms'.¹⁰ This was certainly the case and this thesis argues, through a historical analysis, that the bringing on board of these economic interest groups was the result of strenuous demands by these actors and a realisation that they could play a fundamental role within the economy. It is not the objective of the thesis to analyse how this corporatism developed in the post 1964 era but rather to gain an insight into how a decision was reached to include economic interest groups in the first place in economic decision making.

By 1964, after the British application for EEC membership had been vetoed leading to the lapse of the Irish application and the CIO reports on the state of Irish industry had been issued, the government resolved to prepare the Irish economy for a second application. It concluded that economic interest groups had to be a part of the planning process. It is the task of this thesis to see how both decisions were reached. In a study such as this there is a certain amount of overlap as the same events are analysed from different perspectives. The response of various interest groups to particular occurrences are thus analysed in different chapters. The chapters themselves, however, knit together into a coherent body. Chapter one covers the years from 1948 through to the mid-1950s. It traces the evolution of two distinct sets of financial thinking, within government and administrative circles and sets the scene

for the remainder of the thesis. Chapter two provides an analysis of the political and administrative discussions on economic policy between 1954 and 1963. The question of abandoning protectionism and introducing tariff cuts was one which dominated the economic body politic at this time. Thus this chapter traces the changes in financial thinking over the period. The place of industry in the process of policy making is also described in this chapter. Chapter three concentrates on the evolution of trade union thinking and influence on the economic policy process. Trade union thinking in this period was initially dominated by the question of pay bargaining, but by the mid 1950s the unions became more overtly conscious of the European issue and framed policy with that in mind. Chapter four focuses on state-farmer relations in the period. Accession to the EEC was very much on the farmers' agenda from the mid 1950s on, and this chapter analyses this question from both the angle of the government and the main farmers' organisation, the NFA. Chapters five and six trace the Fianna Fail governments' negotiations to join a European trading bloc from 1957 on, which was the culmination of the change in financial thinking and strategy from 1948. Chapter five is an analysis of the Irish government's negotiations to join EFTA, while the sixth and final chapter analyses the decision to apply for membership of the EEC. These two chapters argue that the decision to seek entry to a trading bloc was not premeditated by the government, it was part of an evolutionary strategy to promote export led growth, a strategy that needed the input of various interest groups as well as the government. The Catholic Church is dealt with intermittently throughout the thesis. The Church had no direct input into the policy arena but individual bishops and clergy did make the occasional foray into the debate by commenting in journals such as *Christus Rex* and *Studies*.

The analysis of Irish economic policy making in this period has been largely set within ideological frameworks. In many instances authors have structured their approaches in polemical terms. John Kurt Jacobsen, for example, in his 1994 study on the causes and consequences of economic policy choices in Ireland, places his argument firmly within dependency theory, noting that Ireland as a former colony and small economically dependent nation with durable democratic institutions, shares many of the economic problems of the third world and the political structures of the first world. As Brian Girvin points out, however, a much stronger claim can be made for comparing Ireland with states in western Europe.¹¹ Jacobsen's use of dependency theory ultimately sees him assert the primacy of economics, with the result that the political process and its importance are relegated to a distant second in his analysis.

Girvin's own book, Between Two Worlds characterises Ireland as a semi-peripheral state, similar to some mediterranean countries, neither first world nor third world; one which has achieved some development, but is neither a mature industrial nation nor a conspicuously poor one. For Girvin, however, it is politics and the social rivalries which it represents, rather than economics, which remains the primary influence on Irish policy making during this period. Similarly J.J. Lee emphasises the importance of politics in public affairs in his major work on Ireland. He does argue, however, that Irish politics must be understood within the broad context of economic, social, administrative, cultural and intellectual history. In Lee's analysis, he maintains that economic policy since 1922 'has revolved around the search for that elusive factor, enterprise. Paddy Hogan sought it in agriculture. Sean Lemass sought it in industry. Neither found enough of it'.¹² Lee's framework is basically to be found

in the argument that the dearth of enterprise in Ireland and the subsequent failure of Irish economic policy is due partly to an absence of an adequate performance ethic in society. At no time was this more true than the period that this thesis covers. Businessmen and industrialists of the period had no great entrepreneurial spirit. Protectionism was so complete up to the late 1950s that it served to exacerbate the enterprise problem, in that once industrialists were able to serve a market, they were secure in that market and had no real impetus to expand.

In a work published over a decade ago, Bew and Patterson argue that at issue in the economic development of Ireland in this period was not modernity versus tradition 'but rather two different forms of capitalist development'.¹³ One associated with Whitaker's Economic Development was liberal in its hostility to all impediments to the free working out of market forces. The other, embodied by Lemass, was concerned with pursuing economic policies suitable for the construction of a hegemonic relationship to the working class. Bew and Patterson qualify their argument by contending that the latter strategy was still committed to the maintenance of the existing social and economic framework. They continue that such a design was bound to run into major problems given Ireland's position in the international political economy, small, weak and dependently capitalist. However, they neglect the fact that planning and the setting of targets, which the plan had to meet, was an intrinsic part of Economic Development. Moreover, Whitaker knew well that Lemass, as the driving economic force behind the Fianna Fail government of 1957-61, was an archetypal statist. This thesis will show that the differences between Lemass and Whitaker were more imaginary than real in their shared attempt to improve Irish

economic performance in the period.

Denis O'Hearn in an important article written in 1990 makes much the same point as Bew and Patterson. Maintaining that the popular story of Economic Development is a myth, O'Hearn argues that the options of expansionary state actors were constrained by both a dominant local class and by external capital. He states that the eventual route that politicians and civil servants took in opening up the Irish economy was 'hardly planned' as these actors had little idea of the direction in which they were going, noting that their options were restricted by capital which coalesced against certain policies which threatened its prerogative as a class. Ultimately O'Hearn's framework is Marxist in its interpretation, claiming that events took place in an environment that was shaped by class struggle with domestic capital losing out to international capital over the period.¹⁴ While O'Hearn does show that there were fundamental differences between industrialists on how best to face the challenge of free trade, the evidence of this thesis suggests that all economic interest groups had seen, to various degrees, that export-led industrialisation was inevitable in the Ireland of the 1960s. This had indeed been a long and often tortuous process, but by the time of the failure of the first application to join the EEC, economic actors, whether state, political or interest group realised that Ireland's economic future could not prosper in economic isolation. They were active partners with government in pursuing an aggressive agenda of economic growth.

Some current commentators of Irish economic policy have looked to the period under review in this thesis, and have concluded that state intervention and the planning

process initiated by Economic Development has led to Ireland's current economic malaise. Jacobsen, for instance hints at this when he notes: 'the solutions of the 1950s became ... the problems of the 1990s'.¹⁵ More overtly Cathal Guiomard trenchantly takes Lemass to task for being a statist, and simply dismisses his policies in the light of current events, although he offers no analysis of what alternative policies Lemass could have taken and why he should have pursued them.¹⁶ Not only is this unhistorical, it is also a case of reading history backwards. Economic policy failures of the current era cannot simply be traced back to the past unless one can offer historical evidence as reasons for a change in strategy at the time. This Guiomard singularly fails to do. It would seem that he is attempting to use Lemass, among others, as a scapegoat for not pursuing the ideological devices he puts forward for rescuing the Irish economy out of its current weakness.

In essence this thesis, by arguing that the government's interaction with economic interest groups marks the beginning of corporatist type arrangements in the formulation of economic policy, can be placed within a similar framework as the works of Lee and Girvin in that it stresses the political over the economic. It was the government not the market which brought these groups into the policy making arena and it was the government in both its political and administrative forms which gave the lead in promoting new economic strategies. By pointing out explicitly to the various economic actors in the Irish body politic these new approaches, the government was able to set out a concrete agenda for the development of the Irish economy by the early 1960s. Export-led industrialisation and economic co-operation with Europe were at the heart of these new methods. It is the task of this thesis to

trace these developments. The reader will find a comprehensive note to sources at the end of the thesis documenting the sources used in the study.

Chapter One

Financial ideology and the political economy of Ireland 1948-1953

Economic policy and the first inter-party government

When the first inter-party government assumed office in February 1948, the Irish economy contained many structural weaknesses. There were major deficiencies in social and infrastructural facilities. Savings, which had been relatively high during the war because of the shortage of consumer goods, had declined considerably. In 1947, total savings amounted to only four and a half per cent of gross national product and personal savings in the same year were virtually zero. Manufacturing industry accounted for less than twenty per cent of total employment and much of this owed its existence to the protectionist policies of the 1930s. Furthermore most industry had not yet launched into export markets.¹ Adding to this problem was the fact that there was comparatively little overt tradition of entrepreneurship and that prospective capitalists faced considerable difficulties in raising capital. As Domhnall McCullough, now Chairman of James Crean, who began his business career in the 1940s in Clondalkin paper mills, has commented:

There just was not many businessmen with the entrepreneurial drive who were willing to take a chance. Capital was difficult enough to raise but people did not just think of going into industry to make a big profit. Protectionism was so complete, with no danger from outside that if you had a market, you had it tied up completely. Yet there just was not many big businessmen with the get up and go mentality. By the 1950s industry was still being promoted on the basis of the old Sinn Fein policy that we had to be independent and we could only be independent if we had our own industries and it was more that than any thought of being able to develop large companies that we have now. This applied to politicians as well as businessmen.²

In essence very few of the firms created since independence could survive without the

protectionism that had brought them into existence. They were relatively small, unsophisticated and based on local markets. Within this protected sphere 'profitability and wages were high, inefficiencies endemic'.³ Ireland did, however, have important assets from a developmental viewpoint, most notably a large supply of labour and a sizable accumulation of external reserves which had been built up during the war. In these circumstances, argue Kennedy and Dowling, there existed a case for an expansionary fiscal policy and a direct state contribution to raise the investment rate. This was not how Finance saw the situation.

A week before John A. Costello was appointed Taoiseach, J.J. McElligott, the imposing secretary of Finance, wrote to the outgoing Minister for Finance Frank Aiken outlining the bleak economic situation:

The position regarding state debt and capital outlay gives ground for anxiety. The state debt already large and for the greater part non productive is undergoing rapid increase. The heavy new commitments which are being constantly added will necessitate a further rise in taxation which has already reached an intolerable height. The resultant budgetary difficulties are accentuated by the charging of an unduly low rate of interest to such capital works as are productive. Our serious balance of payments position is bound to be worsened as a result of heavy imports for state capital projects which do nothing to raise our alarmingly low export capacity.⁴

For Finance this capital expenditure entailed not only an immediate but also a continuing outlay on hard currency imports. Capital commitments were being undertaken at a rate greatly in excess of the current savings of the community and were thus a strong reinforcement of inflationary pressures. McElligott argued that through their effect on domestic purchasing power these commitments aggravated Ireland's tendency as a nation to spend beyond its means and that the situation would

be a lot worse but for the existence of sterling assets upon which the country was drawing to meet its excessive expenditure on imports of consumer goods. Domestic production, which to the Finance mind was the ultimate measure of the country's capacity to consume and to undertake capital investment, was below its 1939 level both in agriculture and industry as a whole including building, and the 'prospects for improvement are, to say the least, not encouraging'.⁵ McElligott undoubtedly reiterated this advice when Patrick McGilligan assumed the ministry a week later.

Yet the new government did not quite see the financial position in the same light. Lord Glenavy, Governor of the Bank of Ireland, and a member of the board of the Central Bank, and James Dillon, Minister for Agriculture, communicated regularly throughout the first inter-party government's period in office and their correspondence is illuminating on different views on the state of the economy. Although Dillon was something of a maverick within the government, he had definitive views on the way economic policy should proceed and argued trenchantly both within Cabinet and outside on the course policy should take. One letter on the Central Bank report of 1948 by Dillon shows how the government viewed the situation. The Bank had implicitly presumed, according to Dillon, that the government was both 'ignorant and incompetent' but to Dillon the 'boot was on the other foot':

the net surplus of external assets cannot be much less than twice as great as they were in 1939. Our national debt is trivial compared with that of any other nation in the world. We are almost alone outside of the United States in meeting our requirements from our own purse. We have virtually no damage to capital assets to restore. In fact we are in a state of disgusting affluence and our principal danger is that instead of spending wisely we may either squander our resources or scrooge like gather our seedy rags around us and count our wretched chattels as deflationary poverty gradually settles in gloom around us.⁶

Dillon disliked both options and claimed that the government would not have either, but he argued that if he had to choose between the two he would 'rather go down with my flags flying and the band playing rather than to sink in dismal dereliction so dear to the hearts of the Central Bank'.⁷

In response, however, Glenavy argued that it was a delusion that the Second World War had brought the country affluence. Net sterling assets were nominally twice as great as in 1939 but since prices had doubled 'they are worth no more than in 1939, a time when representations were being made to the government that they had fallen to an undesirably low level'. Monetary authorities, he insisted, 'are bound to indicate pitfalls, the primrose path needs no pilot'.⁸ The question of sterling assets was a particularly thorny one. Patrick Lynch, who was appointed personal advisor on economic issues to Costello on the recommendation of McElligott, was one critic of the Central Bank's policy on the issue:

here we were building up a great quantity of sterling assets, a much bigger quantity than the banks needed at a time when the value of sterling was progressively decreasing. There was a very strong case therefore for the repatriation of sterling assets to counteract the chronic underinvestment in Ireland. There was immense scope for very useful investment and I was using Keynesian arguments to support my own arguments for investment in the Irish economy which had been so underdeveloped because of the conditions left by the war.⁹

Clann na Poblachta were also severely critical, with their acerbic leader Sean MacBride, who had a very vivid interest in economic policy, most outspoken. At a meeting to the Cork City branch of Clann na Poblachta in September 1949 he declared that

if even a fraction of the money which had been poured down the drain

of sterling assets and thus irretrievably lost had been utilised at home, the economic life of this country could have been transformed. The fundamental problem of the Irish economy is one of underdevelopment and under-employment due to chronic under-investment at home. We are the only country in the world that exports both people and money to create wealth somewhere else.¹⁰

In essence MacBride wanted to break the link with sterling and move away from the fixed parity relationship. The Central Bank and Finance took the view that, notwithstanding the fact that the British economy and sterling were facing great dangers and uncertainties, parity between the Irish currency and sterling should be maintained and the country should stick to the practice of keeping the bulk of its external assets in Britain. Economic dispute between the Central Bank and Finance on one hand and some members of the government on the other became more pronounced when the government were forced to follow the British line and devalue against the dollar by 30.5 per cent in September 1949, thus enabling the Irish pound to continue to be exchangeable freely with the pound sterling.¹¹

For MacBride the inextricable link with sterling was the ultimate cause of the morass the country and the economy found itself in. In March 1950 he declared that

in national economics we have behaved like misers who have kept their money in the bank instead of utilising it to develop our own business. Every available statistic establishes that the country suffers from gross chronic underinvestment, while at the same time we boast of having 400 million in sterling assets. More fantastic still, over 50 million of the sterling assets are held by the Central Bank and bring in an income of slightly over one per cent.¹²

Finance's attitude toward devaluation can be seen in a memorandum penned after the inter-party government had lost power, where they countered MacBride's views by claiming that if parity was abandoned there were three alternatives to be considered:

namely that the Irish pound would remain at par, which entailed no change; that it would appreciate, of which there was no prospect as increasing deficits in the balance of payments and the higher wage structure in Ireland indicated that the pound was already overvalued in relation to sterling and any enlargement of the programme of public works would weaken it further; or it would devalue, which in the circumstances was the only real alternative:

it would be a grave error to look upon this as a solution to our economic and financial problems. Leaving aside the practical and political objections to abandoning the parity relationship and the repercussions in public confidence in our currency, a depreciation which nobody would be convinced was final, would have serious effects on the cost of living particularly at a time when import prices were still rising. Nothing less than a 25 per cent reduction in the external value of our currency would have even the appearance of finality and seeing that imports enter so largely into domestic consumption, the effect of raising import prices by 33 1/3 per cent would obviously be very great.¹³

For Finance the temporary stimulus to exports normally associated with depreciation would misfire in this case because Ireland's export surplus derived from a stagnant agricultural output and was therefore incapable of immediate expansion. Finance further argued that nothing more than a short term curtailment of imports could be expected because of the pressure for increased money incomes 'to compensate for the rise in the cost of living that would be exerted by the trade unions and all classes of the working population. Depreciation of the currency is evidently an evil to be shunned'.¹⁴

The whole thrust of financial thinking as pursued by the Central Bank and Finance has been defended by Sean Cromien, a former secretary of Finance, who worked in the economic forecasting branch between 1952 and 1960. Cromien has argued that

to some extent the conservative policies pursued were justified as the institutions were creatures of their times. Keynesianism had not yet a grip on Irish financial thinking and it is questionable as to what success it might have had, had it been implemented:

we had to watch very carefully what we were doing. We were part of the sterling area and no substantial foreign exchange was earned other than sterling. We had to use that to gain foreign dollars from the dollar pool through the British sterling area. That limited our freedom very much to do things. We had to show the British that we were keeping our economy under control, that we were not extravagant spenders ... Thus the effort was on maintaining external reserves. There was a feeling that you did not get involved with foreign borrowing, a feeling that you were quite constrained by what people were prepared to save at home. You watched what they were saving, watched their level of consumption and watched the level of foreign reserves. So in a sense while it was very conservative, it probably was understandable in the conditions of the time.¹⁵

This policy undoubtedly had some success as by 1949 personal savings had risen to 7.1 per cent of personal disposable income from virtually nothing in 1947. Furthermore the balance of payments deficit fell from £30 million in 1947 to £9.7 million in 1949 and unemployment was down to 8.3 per cent by the end of 1949 compared to 9.6 per cent in the first quarter of 1947.¹⁶

Financial ideology

Ultimately it was economic ideology which determined the different solutions offered to solve Ireland's economic problems. In the late 1940s two distinct coalitions had emerged from within the Irish bureaucracy. One based, as we have seen, around the mandarins of Finance and the Central Bank promoted deflation as the standard answer to any economic problem. This deflationist faction feared both inflation and the establishment of new bureaucratic bodies that would be outside their control. The ideological basis of this influence lay in the contention that the country's problems

could only be solved by reducing the role of government spending in favour of monetary or credit instruments. The second group consisted of a number of influential politicians and outside interests, but also contained an administrative base within Industry and Commerce. In essence they wanted to encourage export-oriented investments and state direction of industry in order to make it more efficient.¹⁷ The latter was not at all achieved. The deflationists opposed both options: the first would have inflationary consequences while the second would unjustly extend government control over private enterprise. Private enterprise was the bedrock on which practically all policy makers, politicians and other interest groups believed that the Irish economy lay. Even in the dark days of 1957, Gerard Sweetman, Minister for Finance in the second inter-party government, echoed the predominant economic view when telling the Fine Gael ard-fheis: 'it is quite useless to talk of a long term economic plan in a free private enterprise economy'.¹⁸

Yet some of the earliest proposals from the expansionary coalition did involve direct administrative control of industry. Some politicians began to identify protected Irish capital as a major problem in the post-war economy. In the political sphere the decade after the end of the Second World War was one in which Sean Lemass initiated many proposals for the overhaul of the Irish economy. In 1945 an elaborate and ambitious set of proposals to generate full employment after the war were announced. The Industrial Relations Act of 1946, which established, inter alia, the Labour Court, was a further attempt to co-ordinate the economy and its various interest groups.¹⁹ Moreover, Lemass was also proposing a drastic shakeup of trade policy, a change which would have increased state involvement in the exporting sector of the economy.

A final measure, undoubtedly the most radical, was the introduction of the Control of Prices and Promotion of Industrial Efficiency Bill of 1947, which if implemented would have given the government unprecedented control over the running of the economy. This attempt to create an industrial efficiency bureau, to combat excess profit taking and restrictive trade practices has subsequently been seen by T.K. Whitaker as proof positive that Lemass, the original progenitor of protectionism, had seen that protectionism had served its purposes in the Irish economy and that now the country would be better served by the government playing a more active role with the ultimate aim being to open the doors to free trade.²⁰ In all of these cases Lemass was defeated by the more conservative forces in society. The industrial efficiency proposals, in particular, drew a hostile reaction.

Lemass's proposals envisaged a new administrative bureau. This was to have unprecedented powers to ensure reasonable standards of efficiency which, according to Industry and Commerce, were lacking in 'those industries which enjoy the benefits of tariff or quota instruments on imports'. At first the bureau was to be a 'friendly advisor' with some price control powers. But for those companies which did not respond adequately, a court of inquiry would be set up to subpoena documents on quality, price, methods of management, labour recruitment and training, materials used, marketing, overhead charges, capital structure and other such matters. If such businesses did not then comply with the bureau's directives, the state would be empowered to stop the distribution of profits, fix prices, fix maximum profit limits, confiscate excess profits, and for some most seriously of all, remove protection.²¹ Tadhg O'Cearbhaill, who at this time was private secretary to Lemass, said that the

bill had two aims:

one for consumers, to keep the price of goods to the consumer down, but also to keep control of industrial raw materials, to keep costs to industry down. That was the proposal. It didn't develop as it was strongly opposed politically, both within Fianna Fail and the opposition and also by Irish manufacturers. The Federation of Irish Manufacturers were very hostile to it.²²

McElligott responded to the proposal by arguing trenchantly that the public interest did not require such a drastic degree of supervision and control of industry.²³ Even more significantly, Irish industry was atypically united in its opposition. A conference called by the Federation of Irish Manufacturers [FIM] was attended by 57 industrial associations and concluded rather dramatically that 'until this country has declared for a Communist form of government, the Bill should be withdrawn'.²⁴ They also demanded a meeting with the new Taoiseach to discuss what they considered to be the general belief among ministers as well as the general public that manufacturers made excess profits at the expense of the general public. Colm Barnes, who was in the textile business with Glen Abbey at the time, recalled the

horror with which businessmen viewed this rather draconian bill. What was the point in setting up in business and trying to foster an enterprise culture if at the slightest sign of bother the government was going to come in and practically seize your company?.²⁵

At this stage Irish society was still very conservative and not surprisingly Lemass's innovative proposals were not pursued by the first inter-party government, even though it included the Labour party who had originally agreed with the bill. It is questionable, however, if Fianna Fail would have implemented this bill had they been returned to power, such was the opposition of organised interests, including the trade unions.

The trade union movement had divided into two congresses after 1945, when the Congress of Irish Unions [CIU] broke from the Irish Trade Union Congress [ITUC] over allegations that the ITUC was controlled by British unions. The allegation was unfounded. In reality the split was personality driven. For twenty years it had been obvious that the main underlying tension in the movement and the conflict arising from it arose primarily from the hostility of William O'Brien to James Larkin and his determination to destroy the Workers Union of Ireland.²⁶ Their differences went far beyond ideology or the role of unions in society. Donal Nevin has spoken of his belief that O'Brien 'put the union cause back many years by this needless internal feuding which in reality had little to do with bettering workers or the movement and more to do with egotism'.²⁷

In many respects trade union difficulties in this period stemmed from when the 1941 Trade Union Act, which envisaged the co-ordination of trade unionism and provided for the licensing of bodies to carry on negotiations, was declared unconstitutional by the Supreme Court. Described by Ronan Keane as 'an imaginative and far sighted piece of legislation',²⁸ it was struck down as an infringement of the constitutional rights of the citizen.²⁹ The trade unions saw this finding as 'turning the constitutional guarantee to form associations and unions on its head'.³⁰ There certainly appeared to originate from the courts a marked dislike of those corporate constraints which trade unions tended to exercise. R.F.V. Heuston remarked in an article in the *Irish Jurist* that the Irish courts tended to be stricter in the matter of certain statutory definitions than the English courts, and furthermore there was a great readiness to employ the injunction in industrial disputes.³¹ The interventionist role advocated for

the Labour Court was itself undermined by trade union opposition. The 1946 act did, however, bring the trade unions into the mainstream and made them a part of the 'social furniture'.³² There was also a sense of achievement at the setting up of the court, with the writer James Plunket speaking of it as a symbol of

the victory of trade unionism in its fight for a respected and influential place in the social and economic life of modern Ireland. Here was the beginning of a new stage in Labour relations, with its machinery for direct negotiations and conciliation representing new privileges for trade unionism, but also putting on its shoulders new responsibilities.³³

Yet while it had these new responsibilities the greatest problem for the union movement was the existence of two Congresses. Both employers and government had to meet with both Congresses together and, as Donal Nevin points out, they 'were not slow to play one off another to the detriment of workers. Lemass was not too bothered by two Congresses as it kept the Labour party and the labour movement as a whole weak'.³⁴ While this may indeed have been the case, he suffered politically in the Fianna Fail government of 1951-54 when he found himself sidelined by Sean MacEntee's performance as Minister for Finance. As Brian Girvin points out:

in a political environment where Lemass was clearly the architect of the government's industrial strategy, his failure to co-opt and integrate a unified Congress into his support weakened him within Fianna Fail. His close identification with the labour wing of the party had secured him the advantages in the past, which now worked to his disadvantage.³⁵

The consequences of this were grave. Despite the existence of an expansionist coalition within the administrative regime, conservative economic policy prevailed for most of the period after the 1948 general election. Wage levels remained depressed for a considerable time while unemployment and emigration rose sharply. The point

can be made that alternative industrial and economic strategies would have received a better hearing if Congress had been united and if Lemass could have used his influence by reflecting this relationship within government. Lemass had been able to defeat the conservative elements within the party on the issue of cooperation with the Labour party after the 1943 general election. After the 1948 election, however, he was unable to prevent conservative economic dominance within Fianna Fail and was effectively marginalised by MacEntee.³⁶ At a time when Irish politics in general was moving in a conservative direction, the trade union movement was unable to present a united common front to the state or the employers.

Another proposal for government control of industry was combined with a package of industrial incentives. The creation of the Industrial Development Authority [IDA] in 1949 had the support of important sectors of the business community. In the original proposal the IDA was to have two functions. Primarily it was to initiate schemes to establish new industries and to investigate the necessity of revising tariffs, quotas and other protective measures. It also had powers to subpoena witnesses and documents relating to Irish industry. The original content was, however, modified to exclude provisions for IDA control of industry.³⁷ Lemass was critical of the setting up of the IDA, fearing that it would usurp the traditional role of Industry and Commerce. As Brian Farrell points out, some of Lemass's objections sprang from the fact that the new agency consisted of former officials of Industry and Commerce doing the same tasks for the IDA as they had done for the department.³⁸ Bew and Patterson speculate that Lemass's opposition to the formation of the IDA was 'bowing both to party and industrialists' pressure'. While this may indeed be true to an extent

it seems more likely that he thought that the IDA would supersede Industry and Commerce in attempting to develop the country's industrial sector. His antipathy to the IDA can thus be seen in these terms. Tadhg O'Cearbhaill also maintains that Lemass's great fear was that Industry and Commerce would have been downgraded by the time Lemass returned to office.³⁹ He had, however, recognised that increasing exports alone could be an effective stimulus for the economy. The IDA echoed his view and maintained that the expansion of manufacturing exports should be the clear focus of any export policy. It proposed that an organisation to promote exports should be established to achieve national coordination of industrial exports.

The IDA recognised the difficulties which existed:

we hold the definite view that there is no likelihood of any appreciable increase in industrial exports on the basis of the individual efforts of manufacturers. Our manufacturers as a whole have very limited knowledge or experience of export trade and apart from their reluctance to enter into an unknown and highly competitive field, the share of any particular manufacturer in export trade would be relatively so small that it could not bear the expense of an adequately staffed and operated export department.⁴⁰

Industrial exports, the IDA added, would not be generated unless financial inducements were forthcoming. Finance, however, were dismayed at the prospect of public finance or tax concessions being made available to exporters. There was, they claimed,

an air of unreality about this interim report of the IDA. It does not seem to come to grips with the problem at all. If, however, the government agree to the proposals, there is not the slightest doubt that the manufacturers will receive the IDA with open arms. Why shouldn't they? The state will be doing for them something which they should do themselves.⁴¹

Finance was worried about the creation of the IDA on two accounts: primarily that

industrial incentives would be inflationary, and secondly that the creation of a new bureaucratic agency with resources to attract capital was 'a dangerous machine for the exercise of corruption'.⁴² Patrick McGilligan, Minister for Finance in the first inter-party government, also had doubts about the scheme:

The Board should not be envisaged as a board of master mind planners - to divert and plan the industrial development of the country - but rather as a Board of fact finders and advisors to the community and to the Government on the activities of private enterprise. They are there to search out possibilities of industrial development, to collect facts and statistics and to bring them to the notice of entrepreneurs in some fair and suitable manner. It should definitely not be within their scope or function to themselves run or plan industry or any branch thereof.⁴³

Colm Barnes maintains that large sections of Irish capital joined Finance in its opposition to the investigative powers of the IDA, but not to the creation of the board itself. He agreed with McGilligan's views that the board should not be made up of a gang of 'crack-pot socialist planners', 'but as long as manufacturing men were involved, we thought it would be alright'.⁴⁴ Their complaints had a marked input on the final makeup and powers of the IDA. Its first board of directors included representatives of the FIM and the FUE as well as prominent company directors. All these were, however, expansionist in viewpoint.⁴⁵ The President of the FIM publicly welcomed the formation of the IDA and expressed pleasure at the level of consultation between the FIM and government ministers and departments.⁴⁶ Schemes to promote exports had been proposed since 1946 but met with indifference from protected capital and the outright opposition of Finance. Lemass had attempted to introduce a bill to assist industries engaged in foreign trade, and a new Foreign Trade Corporation was to oversee an exporters' insurance scheme and provide grants to exporters for factory premises and training. This scheme was eventually withdrawn

because of opposition from Finance and the British government which wanted Ireland to reduce its dollar trade. The establishment of the Dollar Export Advisory Committee in 1950 was an attempt to devise policy initiatives to achieve meaningful growth in manufacturing enterprise and stimulate exports. This, however, was a response to the general economic turmoil which resulted from a shortage of dollars in Europe.⁴⁷ The development of Coras Trachtala Teoranta [CTT] as a promotional agency for Irish exports did not meet the recommendations of the IDA as it was basically an advisory body and did not have the finance or the power to induce industrialists to export.⁴⁸

Yet without government intervention it was unlikely that many manufacturers would develop an export trade. Many of those who were involved in industry at the time have commented on a perception within industry generally that it would not survive free trade, and thus they were satisfied to produce for the home market only. There was, according to the industrialists interviewed for this study, great security in Irish manufacturing industry because it had a captive market and high tariff walls that kept out imports with the result being that most Irish industries were not geared to international competition.⁴⁹ The success of import substituting and the continuing expansion of the protected sector in the late 1940s and early 1950s indicated that further possibilities for internal growth remained available. Daniel Morrissey, Minister for Industry and Commerce in the first inter-party government, drew attention in the Dail to the high level of imports in 1950, estimating that £60 million of such imports could be replaced by Irish products and 45,000 new jobs created. He also claimed that there was still considerable scope for further industrial development

within the protected economy.⁵⁰ There is no real evidence that such possibilities for industrial expansion did indeed exist. Industrialists did not view their businesses in such a manner. While they accepted the need for a strong industrial arm for what was essentially an agricultural country, the main aim of such industrialists, it seems, was to provide employment and make a reasonable profit. Most businessmen of the time did not even know how to go about attempting to export. Few companies had staff able to communicate in a foreign language. The idea that Irish industry could compete with foreign companies was not even entertained and there was little sense of entrepreneurship.⁵¹ It is reasonable to assume that if industrialists could make an ample profit without providing employment that they would indeed do that, but what is striking is that making profit was not considered the harbinger of industrial success.⁵² Lemass had pinpointed the problems of industrialists. In a letter to a Cork industrialist, William Dwyer, who had stood previously as an unsuccessful Dail candidate for Cumann na nGaedheal, and with whom Lemass carried on an intermittent exchange, he berated the lack of entrepreneurial drive:

the extent to which industrial development is to be brought, must be decided by national policy and not by the interests of individual industrialists. It has always been a handicap to our industrial progress that the best of our industrial leaders show a tendency to exhaust their initial impetus and to slow down and stop when they have reached a stage of development which gives them maximum security with the minimum of additional effort ... The function of Government as I see it is to keep on pushing development to the limits of practicability whether individual industrialists like it or not.⁵³

While Lemass may have felt that the inter-party government failed to push industrial developments to the limits he wished to see in place, as his most recent biographer Michael O'Sullivan suggests, he himself cannot escape the charge that most of his immediate post 1948 industrial suggestions were opposed by those very same

industrialists. Lemass did make strenuous efforts to give Irish industry a fundamentally strong basis and had Joseph McCullough, for instance, in his capacity as a member of the National Economic Advisory Group of Cumann Na n-Innealtóirí carry out a confidential report for him on the idea of overseas contracting. As McCullough later pointed out, 'Irish people had been contracting all over the world since after the First World War, so I set out to examine could we do that here'.⁵⁴ The IDA, however, clearly had some way to go if it hoped to persuade Irish industry to develop an export-led ideology. One of its main problems was that it lacked any power to grant incentives for the attraction of foreign industries to the country and thus its establishment should be seen not as a complete break with previous industrial policy in that it was not an alternative approach but a method of supplementing the framework already in existence.⁵⁵

There was to an extent a consensual approach to the validity of protection. Tadhg O'Cearbhaill has commented on how there was a scaling down of the number of new tariffs after the war, with no new quotas introduced and this being an agreed political object:

Yet while both governments were trying to use protection only as a last resort, industrial policy was originally designed to replace imports. A local development group that went into Industry and Commerce were handed the import statistics and prepared reports on what we could make here. The view was taken that a secure home base, protected if necessary, was the best basis for developing exports. If the government were expecting an industry to develop exports, that industry was entitled to have its own market secure. Teams from Industry and Commerce, employers and unions went off to the United States to study methods there. This was to encourage industry to become more efficient, not by compulsion, but it was visualised that protection had to be scaled down.⁵⁶

This led to some innovative IDA schemes being put into operation. A 1951 grants scheme for new industrial investments in underdeveloped areas provided infrastructural development by the state, land and buildings to new industry, grants for the full cost of new factories, 50 per cent grants for the cost of new machinery and equipment, training grants, exemptions from local charges, and reduced electricity rates. The scheme was managed by a new grants authority, An Foras Tionscal, which was loosely tied to the Department of Industry and Commerce, but was semi-independent like the IDA.⁵⁷ In 1956, the grants provisions were extended throughout the country. The Finance Acts of 1956, 1957 and 1958 granted export-profits tax relief of 50 and later 100 per cent.⁵⁸ The deflationists in the public policy arena again were very much opposed to such a scheme. The Department of Finance argued that 'in view of the present and prospective condition of the Irish exchequer, it is merely common sense to refrain from taking on new commitments either of a capital or a current nature'.⁵⁹

Marshall Aid

The government also clashed with the Central Bank and Finance over Marshall aid. Both Joseph Brennan, the Governor of the Central Bank, and McElligott argued against accepting any form of aid unless it was given in grant form. Dollars, they argued, could not be repaid as Ireland earned too few of them. Subsequently some of this aid was converted into the form of a grant, but a debt of £128 million, to be repaid in instalments, was accumulated. Alan Milward suggests that Ireland was awarded no grants in its first year because of its neutrality during the war, with

Washington showing little 'sympathy' for the government's position.⁶⁰ While this may be the case there is evidence that the inter-party government at this stage had a certain commitment to Europe. At the original Marshall Aid conference which ran from July to September 1949, Ireland's representative, secretary of the Department of External Affairs Frederick Boland made an important speech saying Ireland would sign the treaty no matter what the government was able to negotiate for itself. As Boland later commented: 'we didn't look to get anything free out of the thing but our interest was that Europe should be prosperous, because without a prosperous Europe, we couldn't be prosperous ourselves'.⁶¹ MacBride also considered himself to be somewhat of a Europhile, which contrasted greatly with his anglophobia, and had taken a keen personal interest in the course of European integration and welcomed to Dublin various groups supporting that particular aim. He sent a delegation to the Congress on European Union, held in The Hague in May 1948, and was very supportive of the setting up of the Council of Europe in 1949.⁶² Under government legislation Marshall aid became available for investment in Irish government as well as in sterling securities. The Central Bank in its 1948-49 report, however, drew attention to the inflationary possibilities of releasing Irish monetary securities on to the home market.⁶³ Finance who had no real ideas on what to do with Marshall aid except to reduce the national debt basically opposed the idea on the grounds that politicians would squander the money on inflationary expenditure. As Patrick Lynch has pointed out of McElligott:

while he was extremely able and great credit is due to him for the benefits he conferred on the country, he was very cynical. He distrusted politicians and believed that their sole aim was to impose a bigger role in public spending for taxpayers' money. He saw the role of Finance as to reduce expenditure and while he was successful in this, his thinking was unduly influenced by Whitehall. In those years,

Merrion Street was like a small Whitehall. It believed that financial policy should travel absolutely in line with British thinking.⁶⁴

Sean Cromien has also talked of Brennan's and McElligott's fear that politicians of both main parties were extravagant spenders: 'both of them were non political and that is why they took offence when politicians disagreed with them. Brennan was particularly bad. There was a saying about him that when he used go to visit the Minister for Finance "gloom followed as he walked along the corridor". He was known to be gloomy and had no vision at all. In essence he stayed on too long'.⁶⁵ Cromien recalls both Brennan and McElligott as being very wary of Marshall aid and appalled at the idea that it eventually came in a loan form: 'both found the idea of Americans trawling through the civil service and demanding masses of documents detailing how we were going to spend Marshall aid as abhorrent'.⁶⁶ Marshall aid, though it did fall well short of what the government hoped for, eventually was to account for about 50 per cent of total state investment during the inter-party administration, but as Lee points out 'the bonanza also brutally exposed the continuing inability of Irish governments to devise a coherent long-term programme of public expenditure'.⁶⁷ Ireland's participation in the European Recovery Programme with the aim of securing access to additional capital resources was dependent on the government submitting a claim for aid. Prepared by External Affairs, with Boland at the helm, rather than Finance, it was to be the basis of the government's economic programme which hoped both to expand domestic demand and provide capacity for output growth. It was within this European context that the government intended using Marshall aid. Boland's direct input into what can be described as the formal economic policy process can be seen as the beginning of a

more innovative involvement in economic policy by External Affairs. This was to be continued, most noticeably by Con Cremin in the late 1950s and early 1960s when Ireland looked to Europe to broaden her economic horizons.

Roy Foster has declared that the effect of Ireland's application for Marshall aid 'implied readiness to engage in economic co-operation in Europe'.⁶⁸ While to an extent this is true in the political sense, there was no one in Finance who saw the application in these terms. T.K. Whitaker, then climbing the ladder in Finance, put forward the prevalent view in Finance at the time on the whole thrust of the European Recovery Programme: 'no one who took part in preparing the Recovery Programme (and that includes myself) ever looked on it as a development programme, but rather as an exercise that had to be undertaken to persuade the Americans to give us Marshall Aid'.⁶⁹ Sean Cromien has also made this point in much the same terms to the author.⁷⁰ While this may indeed be the case and Whitaker now maintains that Marshall aid was useful⁷¹, he continued to question its validity in 1949 when he wrote a scathing attack on expansionary policy focusing on the dangers of using Marshall aid to fund new spending programmes. Insisting that the level of public debt was a direct result of excessive social expenditures, Whitaker asserted that taxation was too high and a disincentive to private enterprise and claimed that infrastructural and industrial expenditures were too high.⁷² Whitaker has since recalled that 'Marshall aid was not the beginning of planning in any systematic sense but the pursuit of an indigenous experience to get the right result'.⁷³ The implication was that Marshall aid should be used to ease the public debt and not for an increase in socially productive spending. George Duncan, professor of economics at Trinity, and

of the same classical school of economics as Brennan and McElligott, succinctly summed up the taxation problem facing the country in a lecture to Dublin chamber of commerce in May 1950:

concealed taxation is found in every state, but in a small and highly protected state like ours it is of much greater relative significance. Secondly average income here is lower than in many neighbouring countries, some 117 per head as compared with 200 per head in the United Kingdom and a given percentage extraction is more painful at the lower level. Also a large part of that income accruing in kind to farmers is not amenable to taxation and the burden falling on the rest is correspondingly increased.⁷⁴

Thus for Whitaker and his colleagues in Finance, it seemed sensible that Marshall aid be used to ease public spending and reform the taxation system rather than simply being a spending tool for the authorities. In any event while there was nothing 'strikingly original' in External Affairs' submission, they did make limited and cautious proposals for industrial development but placed excessive emphasis on land afforestation and electricity development, two matters close to the heart of MacBride and Clann na Poblachta.⁷⁵

Yet the bulk of Marshall Aid was spent on long term undertakings and provided Fianna Fail with a stick to beat the spending ogre of the inter-party government. Sean MacEntee in particular enjoyed attacking the inter-party government over Marshall aid. Back in government he lost no time in assailing his predecessor, Patrick McGilligan, for not being able to get a grant and having to settle for a loan, and for having spent the aid recklessly and not in Irish interests. This attack on the inter-party government's use of Marshall Aid was part of a by-election campaign in South-Galway.⁷⁶ Fine Gael replied immediately to the accusations. Their response, penned

by Michael Hayes, appeared under T.F. O'Higgins name in the *Irish Press* and was a resolute vindication of their use of Marshall aid and is useful as such in showing what the government hoped that such aid would do for their economic policy. Hayes asked how was it possible that the inter-party government could have done two contrary things, namely spent their money recklessly and at the same time build up their external assets:

The Minister instead returns to the old and well worn accusation that everyone in this country who is an opponent of Fianna Fail, acts not as an Irishman but as an agent of Britain. Mister McGilligan, of course, cannot have got dollars from America and sold them to the Bank of England for their use, that is an impossible transaction and exists only in Mister MacEntee's mind. ... Marshall aid was used and used wisely for purely Irish purposes. The beneficial effects of its uses are still in evidence both in the agricultural and industrial parts of our economy.⁷⁷

McGilligan, he declared, had accomplished reforms in agriculture and industry with Marshall aid that otherwise would have taken a generation to complete, asserting that the increase in external assets of the Central Bank was additional and convincing evidence of the 'frugal, sound and competent manner in which Marshall aid funds were administered by McGilligan and his colleagues'.⁷⁸ Eamon de Valera, leader of Fianna Fail, had indeed praised the introduction of Marshall aid and Hayes berated MacEntee for attempting to suggest that there was something anti-Irish in accepting Marshall aid in the first place.⁷⁹

It does seem somewhat contradictory for Hayes to be praising the fact that the Central Bank's external assets increased during the period of Marshall Aid when most of the important government actors were assailing that very policy. Hayes was, however, writing with the benefit of hindsight. Fianna Fail in 1953 were pursuing a

deflationary economic policy and to some extent this policy had become consensual between Fianna Fail and Fine Gael in the early 1950s. After the inter-party government lost power McGilligan, in poor health, did not actively oppose Fianna Fail's economic stance between 1951 and 1954. Thus Fine Gael reverted to a more conservative mode in economic matters in opposition, putting forward no real resistance to the deflationary policies pursued by Fianna Fail. As *The Leader* commenting on the infamous 1952 budget maintained: 'It is known that some opposition leaders feel that Mr. MacEntee's action in regard to subsidies was, if anything, overdue and that the Minister could have gone even further in his elimination of them'.⁸⁰ As Minister of Finance, however, Patrick McGilligan played a different brand of economic football in power than did Sean MacEntee.

Keynesianism in the Irish context

McGilligan introduced Ireland's first capital budget in May 1950 when he declared: 'One of the primary responsibilities of a government is to promote, by an enlightened budgetary and investment policy, the continuous and efficient use of national resources in men and materials'.⁸¹ Described by Patrick Lynch as the first explicit expression of Keynes in an Irish budget and drafted by Lynch in association with Alexis Fitzgerald, the budget sought to allocate a certain part of the nation's finances to public purposes and to ensure that the nation's resources were utilised to advance the interests of the community. Lynch, who was very much influenced by the Swedish and Norwegian systems, saw the capital budget purely as a matter of capital investment. He argued that the only way in which the repatriation of sterling assets could be achieved would be by a deficit in the current government budget in which

the proceeds would go into productive investment. McGilligan was very receptive of Lynch's advice and had undergone what could be described as a Pauline conversion from his very conservative, 'reactionary even' days of the late 1920s.⁸² McGilligan, described by John A. Murphy as belonging to the 'conservative Cumann na nGaedheal tradition in economics', was from his first days in politics conservative in economic matters and has historically been viewed as such.⁸³ Lynch puts this conversion down to the fact that McGilligan was a man of wide reading who had read Keynes and was influenced by him. Keynes's comments in the Finlay lecture of 1933 in which he argued that if he was an Irishman he could see very valuable merit in the policy being pursued by the Fianna Fail government which had just taken office 'undoubtedly influenced a thinking man like McGilligan'. Thus by the time he took office in 1948 McGilligan was very receptive to Lynch's advice, much more so than anybody in Finance with the exception of T.K. Whitaker and one or two other young officials.⁸⁴ Whitaker, as we have seen, had taken the traditional Finance line on deflation but was an official with a 'remarkably adept mind who could change, chameleon like, his economic position and support it with a formidable array of economic theories and examples'.⁸⁵ While he still showed deflationist sympathies at this stage he was looking to other countries to see how economic development was pursued. He studied in detail the 1942 Beveridge report in Britain and closely analysed the performance of the Tennessee Valley Authority during Franklin Roosevelt's New Deal in America in the 1930s. He was also influenced by the Monet plan in France and the Vanoni plan in Italy after World War Two.⁸⁶ Thus he was no dogmatic or doctrinaire economist rigidly stuck to a particular theory but rather one who was receptive to advice and willing to look to other jurisdictions to procure

economic security and advance for Ireland.

The first inter-party government's economic policy was outlined by John A. Costello in a speech to the Institute of Bankers in Ireland. Written by Lynch and Fitzgerald it argued that only by large scale investment could the national wealth of the country be increased. Costello's address was unique in that it was the first time in the history of the state that the head of government had devoted a major speech exclusively to the principles underlying his government's economic policy. Lynch believed that Costello's government had an unrivalled opportunity to install Keynesian principles firmly at the heart of Irish economic policy formulation.⁸⁷ What ultimately distinguished the inter-party government from Fianna Fail, according to Lynch, was 'a belief that capital investment by the state based on the theories of John Maynard Keynes, could best solve the basic Irish economic problem of providing jobs for the thousands who were unemployed or who emigrated'.⁸⁸ McGilligan outlined the government's policy in a letter to Brennan:

it is the intention of the Government to draw a more strict line of demarcation than that hitherto followed between capital and non capital services. The need for this arises from the greatly expanded programme of capital development which we have in hand. Our intentions were announced as long as last November when the Taoiseach made a pronouncement on the subject at the annual dinner of the Institute of Bankers.⁸⁹

The main opposition to this shift to Keynesianism came from Finance. Most of its senior officials, led by McElligott, stringently opposed Costello's speech and the government's economic stance. McGilligan was, however, an impressive proponent of a moderate Keynesianism adapted to Irish circumstances and had actively approved

of Costello's speech. As Lee notes: 'The first Finance Minister who was McElligott's intellectual superior, a formidable exponent of whatever viewpoint he chose to represent, McGilligan could not be straightened by traditional Finance techniques'.⁹⁰ With McGilligan a firm supporter of the new shift in government thinking, indeed one of the primary movers behind it, and undoubtedly master over his officials although not unwilling to take advice from them, public opposition to his policy came from the Central Bank. In its 1950 report the bank implicitly criticised the inflationary potential of government policy and expressed serious concerns regarding the monetary consequences of the 'extensive programme of capital works on which the State is engaged'.⁹¹ The next year, however, saw Brennan launch a scathing attack on the whole thrust of government policy which caused political uproar. Published in October after the Costello government had lost office, after Marshall aid had come to an end and when the government was faced with an acute balance of payments crisis, it incensed both incumbent ministers, such as Lemass, and ex ministers, particularly McGilligan and MacBride. It expressed grave misgivings about the financial state of the nation, uncertainties which were shared by the majority of senior officials in Finance. The report claimed that the nation was living beyond its means and criticised increased government expenditure especially on public works and subsidies. It urged fiscal measures to curb inflation, balance the budget and restrict improvident spending. It called for restraint in wage policy and restriction of bank credit.⁹² The report manifestly showed that there was a real conflict of opinion between those who sincerely believed that Ireland could be stirred out of economic stagnation only by massive public investment, for which adequate resources could be found solely by borrowing, and those in the Central Bank and elsewhere, who

believed with equal sincerity that such a policy would eventually defeat its own purpose.⁹³

Reaction to the report varied. The *Irish Press* stated that the independent monetary authority had confirmed the warnings of Fianna Fail ministers and it condemned policies which were particularly associated with the preceding government.⁹⁴ The Fianna Fail government published an official White Paper entitled *Trend of External Trade and Payments in 1951* just before the Central Bank's report in an effort to show that the government and the Bank were united in their attempts to enforce deflationary economic policies.⁹⁵ Sean Lemass, however, distanced himself from the report. In the Dail he declared that the Central Bank report was not a statement of the government's views on economic policy. He pointed out that the Central Bank had emphasised the facts of the economic situation and directed the public to the fact that there was a problem to be solved. He added, however, that the government intended to follow a policy which was 'diametrically opposite to that which the Central Bank suggests'.⁹⁶ The government's solution, according to Lemass, was to increase production, not cut down consumption. The Dail and the country would have to choose between two sources of finance, borrowing or extra taxation to pay for such increased production. To the extent that it could not borrow the money, stated Lemass, the government thought it worthwhile to get it by increased taxation. Thus the Central Bank report had been publicly repudiated by the Tanaiste, apart from de Valera the most senior member of the government. MacEntee, who would later clash bitterly with Lemass on economic policy, defended the Central Bank's independent position and its responsibility for the safeguarding of the national currency in the

same debate. As Minister for Finance, MacEntee wholeheartedly endorsed the views of McElligott and Brennan and pursued a deflationary policy, making a mockery of Lemass's promises in the process.

The response from the opposition was typically scathing. MacBride, who, as we have seen, was an enthusiastic advocate of a large-scale investment policy criticised Brennan for advising the government to pursue a policy which opposed national development and which could only result in increased emigration and a lowering of living conditions.⁹⁷ Dillon and McGilligan were equally harsh. Dillon charged that Brennan's investment policy had been responsible for more than half of the external deficit of 1950 and that 'if the report was accepted, the wisest thing young people could do would be to fly the country as quickly as possible'.⁹⁸ Outside the Dail, the ITUC rejected the report's deflationary proposals claiming that they would result in higher unemployment, a cut in consumption, lower real wages, increased taxation, removal or reduction of subsidies, a restriction of the capital investment programme and a standstill on wages. It asserted that building work being carried out under the public works programme was of vital importance and should not be singled out as affording considerable scope for retrenchment in the economy as the report had stated. On the whole, the Congress declared, deflation would exacerbate the nation's problems not solve them.⁹⁹

Some commentators have expressed doubt about the apparent commitment of Ireland to Keynesian demand management and ask whether the 1950 capital budget indicates a commitment to expansionary governmental policy. Brian Girvin has declared that

the 1950 budget can only be described as Keynesian in a very narrow sense. Its decision to commit a certain percentage of budget allocation to capital projects was important, but only if part of an overall process to facilitate growth in the economy. This, he notes, was singularly not forthcoming in 1950. Nor would it be for the remainder of the decade.¹⁰⁰ Girvin, however, fails to take into account the hegemony of the Department of Finance under McElligott and the Central Bank under Brennan in the formulation of policy when Fianna Fail regained power in 1951. MacEntee was willing to follow, almost religiously, the deflationary policies advocated by these institutions. Thus the aims of the 1950 budget never had a chance to be realised. That subsequent budgets were deflationary, emphasising a continuing commitment to the balanced budget and the fear of a balance of payments crisis, was in no way due to McGilligan. Budgetary policy under MacEntee went directly against the thrust of that intended by McGilligan and Costello.

A letter from McElligott to McGilligan in February of 1951 illustrates the worries that the deflationary group had regarding the financial situation. In it McElligott claimed that he had repeatedly drawn attention to the

progressive deterioration in our public finances, the rapid growth in public expenditure and in public debt and the inadequate degree of taxation resulting in a series of budget deficits, the growth of which has been camouflaged by deductions for so-called 'capital' services, by capitalising subsidies for housing and rural electrification and charging as capital many recurrent items on various votes of a totally unproductive character such as various public works and buildings, harbour grants, airports, employment and emergency schemes, works under the Local Authorities Works Acts and others.¹⁰¹

For McElligott removing services from the category of capital services was the only possible way of securing a realistic approach to what was one of the nation's more

intractable problems. 1950 had been the fourth year in succession of a deficit in the balance of payments and it was Finance's forecast that it would continue over the next three years unless remedial actions were instituted. The minimum requirement that the situation demanded according to McElligott was

a considerable increase in taxation if the present scale of expansion is to be maintained. There seems no prospect of reducing the latter. Indeed all the indications are for an increase. We have already, in my opinion, allowed the situation to drift too far without taking proper financial measures, but we cannot delay any longer except at great peril to our national economy.¹⁰²

Brennan and McElligott had become legendary at this stage for their adamant refusal to contemplate government intervention in the market and were staunch believers in a low taxation low spending economy. A month later they were using an OEEC report on the Irish economy to implore the government to change their course of economic action. A memorandum for the government prepared by McElligott on this report suggests that McGilligan had come around to the thinking of his secretary and that of the governor of the Central Bank:

too much money is being devoted to consumption and too little is being saved for capital purposes. The corrective measures are rightly stated to be such as would reduce the consumption (primarily of non essentials) and expand current savings. ... The Minister for External Affairs does not consider that the present level of consumption reflects an unduly high standard of living. Neither does the Minister for Finance. But like the European Recovery Programme committee, he cannot evade the evidence that as a nation we are at present living beyond our current income, that is our standard of living is higher than we can afford. Of this the heavy external disinvestment for consumption purposes is living proof.¹⁰³

Thus McGilligan could not see how consumption could remain at its prevailing level, unless there was a great increase in production, which was unlikely, if at the same

time the government desired to expand domestic investment by the promotion of savings. Savings, he argued, inevitably entailed abstention from consumption. While one can only speculate as to whether McGilligan would have gone down the deflationary road as this would seem to suggest if the inter-party government had continued in office, Noel Browne, Minister of Health in that government, does recall him as a conventional traditionalist in financial terms: 'Balance the books, pay your way, cut capital expenditure, prime the private enterprise pump and all will be well'.¹⁰⁴ Although McGilligan could be a formidable advocate of Keynesianism in the Irish context and genuinely was disposed to a more expansionary financial approach, it does seem that he was willing to revert to a more deflationary outlook on financial policy when early in 1951, McElligott finally persuaded him of the merits of the deflationary approach to economic policy. Sean Cromien suggests that McGilligan, in part because of poor health and in part because he was not enamoured of MacBride's constant interference in matters that were entirely economic, was not entirely happy in Finance and talks of him avoiding meetings with McElligott in particular and in general keeping a very low profile.¹⁰⁵ This supports Browne's theory that once 'it came to the end of the financial year, and the budget approached, he [McGilligan] appeared to melt into an orgy of inaction and self-pity, skipping Cabinet meetings or arriving late. He clearly dreaded the 'loaves and fishes' job of trying to reconcile our many conflicting claims in such a multi-party government'.¹⁰⁶ There were indeed many conflicting claims within this government with powerful figures like Dillon and MacBride urging their own views on McGilligan. There is little doubt that McGilligan's 'shrewd, critical, questioning approach was hampered by the tensions of the Inter-Party government'.¹⁰⁷ Of the

ministers in charge of the main spending departments all had different agendas to that of McGilligan. While in essence it appears that he was not willing to follow an expansionary policy simply for the sake of it and did take the view that it had to pay its way, the demands made upon him from all sides was inevitably going to place strains on the government.¹⁰⁸ McGilligan was not as radical and did not go as far as some of his colleagues, most particularly MacBride, would have liked in curbing the extreme caution of his department. Yet his period as minister was the first in which Finance was subjected to a questioning political master who was not afraid to challenge its traditional orthodoxy. In effect his was a path breaking stewardship.

The reemergence of the deflationists

By the time Fianna Fail had regained power in June 1951, Finance had identified the three problems which they saw as being at the root of the financial crisis. Primarily the government was not covering 'even the current outlay of spending by taxation'. Secondly, the inflationary effect of this was accentuated by the fact that capital expenditure by the government was not being met to any adequate extent from current savings and was predominantly of an unproductive character in the sense that it did not yield consumer goods or services to absorb the increased income it generated. Finally, money incomes in the country were being raised 'not only irrespective of increases in output but even faster in many cases than corresponding increases in Britain, notwithstanding that taxation and living conditions are better here'.¹⁰⁹ The return of Fianna Fail to government and the balance of payments crisis which accompanied them offered McElligott the opportunity 'to drive the economy back onto the straight and narrow path of deflationary virtue'.¹¹⁰ While Sean MacBride

had tinkered with the idea of the getting the government to pursue an exchange rate adjustment back in 1949, MacEntee with the support of McElligott refused to countenance such a policy in 1952. MacEntee, back at Finance, was only too willing to play the deflationary game. De Valera deliberately appointed MacEntee to Finance against Lemass's wishes. As his official biographers point out, it was a deliberately conservative choice.¹¹¹

MacEntee's deflationary sympathies are aptly demonstrated by the 1952 budget introduced on 2 April, the earliest in the history of the state. The budget removed subsidies on bread, butter, tea, sugar, alcohol and petrol, and raised income tax by a shilling in the pound. Price increases ranged from 28 per cent for butter to 63 per cent for sugar and even Maurice Moynihan, official historian of the Central Bank, called it a budget of 'unusual severity'.¹¹² MacEntee justified the budget by pointing to the balance of payments situation. In the Dail he estimated that in the absence of corrective measures, a deficit of £50 million could be expected in 1952. He argued that there

was no reason to think that the balance of payments will right itself spontaneously. The opening months of this year showed virtually no improvement ... and it seems clear that, without an improvement in personal savings and a reduction in inflationary government finance, the deficit in the balance of payments will remain excessive.¹¹³

In the Seanad, he further argued that the possibility of a very severe slump setting in could not be ruled out.¹¹⁴ Yet the economy was already in recession when the budget was introduced and budgetary policy undoubtedly worsened the position. Indeed current expenditure rose only slightly, while current revenue increased considerably. Furthermore the balance on the government's current account went

from a deficit of £4.7 million in 1951 to a surplus of £5.3 million in 1952 while the borrowing requirement fell from £35.5 million in 1951 to £32.2 million in 1952.¹¹⁵ Budgetary policy had set out to reduce the current balance of payments deficit. In this it succeeded, yet by the time of the 1953 budget the balance of payments situation had been rectified. The economy was ready for a period of expansion but the deflationists in the policy arena were not ready to change direction. There would be no somersault to an expansionary regime.

The removal of food subsidies is what the 1952 budget is historically most remembered for. An interdepartmental committee on food subsidies set up in October 1951 concluded that food subsidies were

nothing more than a general supplement to incomes provided out of general taxation; they are a costly social service in which, however, the entire community shares without regard to individual income or need. There is no real justification for continuing this policy and in principle it would be desirable to abolish the food subsidies, provided arrangements are made to ensure that the weakest sections of the community do not suffer as a consequence.¹¹⁶

The abolition of food subsidies offered numerous advantages according to the committee. In the first instance the difficulty of financing exchequer commitments would be greatly eased by relief from 'the enormous burden of food subsidies'. It would also restore more normal trading conditions, would foster efficiency and help to 'remove economic rigidity' and by allowing real costs of production and distribution to be reflected by prices to the consumer 'a more normal price structure and pattern of consumption would be created'.¹¹⁷ This committee further argued that the abolition of food subsidies would help to counteract the inflationary effects of any wage increases granted in the public and private sectors. MacEntee subsequently used

this committee's recommendations in a new year's eve memorandum to the government which he concluded by stating:

it is essential that the budgetary problems of 1952, already grave enough on the basis of existing expenditure should not be further aggravated by allowing new commitments to develop. The Minister is very conscious of the difficult problems which he will be called upon to face ... and he desires that every possible step should be taken to lighten his task in advance.¹¹⁸

Brennan, however, was not convinced that the government was taking the financial position seriously enough, and contemplated retirement. After seeing MacEntee early in March he wrote that the minister

seemed to imply no intention on the part of the government to arrest budgetary expansion of purchasing power. He said his budget would throw fresh light on the estimates which were meant to give the public a shock. When leaving I told him that I thought it would be far better to have someone else at the Central Bank. ... Met de Valera at 5.15 who talked about the political difficulties of handling of economic situation (sic) and about need of avoiding unemployment. I said inflation would not cure unemployment but make it worse.¹¹⁹

There is no record in Brennan's personal papers of a specific response to the budget but there can be little doubt that he approved of most of MacEntee's final budgetary package.

The wider reaction

This was not the case with other actors. The budget enraged both the employers and the unions. Senator E.A. McGuire, President of the FUE, complained that although nobody liked food subsidies, the point was that they should only be abolished when it was possible to do so with the least possible upset to the social and economic life of the country. While the object of the removal of food subsidies was to lift a weight

from the exchequer, he argued that it should be done in such a way that 'the weight is passed on to the consumer at a time when the consumers are getting more wages or are getting direct reliefs from the exchequer approximating to what they have lost by the removal of the subsidies'.¹²⁰ While the budget was, he estimated, likely to go some way to solving the financial woes of the country it was socially undesirable and he argued that the economy could be improved by an increase in wages which raised the purchasing power of workers:

Instead of siphoning purchasing power and drying it up, we should try to maintain and if possible, increase purchasing power, I mean purchasing power on the part of the public. It is necessary to retain as much money as possible in circulation so as to develop and expand business, so as to create employment and keep our economy strong.¹²¹

MacEntee's reasoning was that if domestic demand were curtailed, leading to a possible reduction in prices, this would boost exports. He was acting on the assumption that earnings had outstripped the cost of living. Consequently, it was believed, there would be no demand for wage increases as a result of the removal of food subsidies. This most definitely was not the case. McGuire believed that the government had failed to get its economic policy right leaving the employers to pick up the pieces of its failed policies:

What has happened is that the whole problem of the Budget has been thrown to the employers and into the arena of industrial relations generally at a time when we are already occupied with bad trade, unemployment, rising costs and higher prices ... This is the problem that has been thrown to industry. It represents a very big spanner in the economic and industrial machine at the moment when employers are ... preoccupied with keeping the business and trade of the country going.¹²²

The trade unions were equally embittered by the budget. They claimed that there had been a 10.5 per cent rise in the cost of living in the past year from 102 to 114 on the consumer price index. With the removal of the food subsidies the total rise would be 18 per cent. The ITUC also calculated that if the rise in the cost of tobacco, alcohol and other commodities were included, the figure would be 25 per cent. They argued that since there was already a definite trend towards deflationary fiscal policy it was essential that the budget should not accentuate this trend but on the contrary attempt to counteract and reverse it. MacEntee's budget did, however, slash purchasing power and followed almost religiously the policy advocated by the Central Bank in its 1951-52 report. Inevitably the reduction in purchasing power hit the working classes hardest. The mirroring of the Central Bank report by MacEntee was noted by the opposition. James Larkin of the Labour Party declared 'it was no unfair criticism to say that if the board of the Central Bank had ... presented the budget, instead of the present Minister of Finance, there would hardly have been a comma changed'.¹²³

The ITUC were more vitriolic in their assessment:

a policy that results in increased unemployment is nationally suicidal and socially criminal. Yet this is precisely what will follow from the budget proposals. It may be that the Minister of Finance considers this preferable to running a deficit in our Balance of Payments and using up our external assets. If so we might remind him that all that needs to be done to wipe out the deficit entirely is to proceed to slash living standards still more savagely, it is as simple as that.¹²⁴

They argued that there was no reason why a government budget deficit should have been completely ruled out notwithstanding MacEntee's presumption that it 'was common ground' that the current budget must be balanced. The running of a budget deficit was justifiable in a deflationary situation such as existed in this period particularly when there was a threat of more serious deflation, and given that the Irish

economy was susceptible to external economic movements and trends. Ultimately it was the contention of the unions that the greater part of the additional taxation required to rectify the balance of payments difficulties could have been raised in other ways. They proposed, for example, a combination of profits tax, higher rates of surtax and estate duties and a purchase tax on luxuries. These they maintained would have spread the burden of taxation more equitably. Dismissing MacEntee's arguments, they insisted that

deflation far from solving our problems will aggravate them. Experience has taught us that a policy of deflation once initiated is self-perpetuating being uncontrollable by politicians and bankers, and leading to slump and depression and endless misery'.¹²⁵

Finance rejected the ITUC's arguments, stating that their case ignored the special benefits which wage-earners derived from the government's policy in regard to social services, subsidies and housing, but did acknowledge 'that even when a fall in the national standard of living is inevitable, certain classes in the community may be able to protect their own position or even better it at the expense of other classes'.¹²⁶ Finance were extremely worried at any proposed wage increase which they reckoned would add millions to personal expenditure, including expenditure on imports, thus making it impossible to check inflationary pressures and which in the long run could only lead to a rise in unemployment. While this may have been true this policy of deflation undoubtedly led to stagnation in the economy because the concern with maintaining external reserves took precedence over concern about unemployment and development. Although Whitaker still maintains that a deflationary policy was the correct approach and calls the budgets of the early 1950s 'progressive',¹²⁷ Patrick Lynch talks of 'the unceasing struggle against inflation displacing economic growth

as an attainable object of policy' in the years up to 1958.¹²⁸ Moreover Kennedy and Dowling have argued that 'the lack of confidence in the economy, associated with falling employment and population, created an atmosphere unfavourable to the enterprise required for successful entry into export markets'.¹²⁹

MacEntee's budget also received criticism from outside the main interest groups. *The Leader* initially saw it as 'a bombshell' and predicted that its after effects would continue to dominate policy for the months ahead. Even more importantly it saw Lemass as having been 'sidelined' in the economic policy debate that was being fought out within the party at the time.¹³⁰ Some months later *The Leader* showed its disenchantment with government policy:

an economy with such a history of defeat as ours needs the stimulus for enterprise of material progress, and private capital investment suffers if this is not given while measures adopted to reduce the standard of living incidentally tend to frighten away external capital.¹³¹

The Statist was also unhappy with the budget but claimed that all was not doom and gloom, noting that there was great scope for industrial advancement, especially in the field of light secondary industries based on agriculture. Agricultural output, it asserted, was far from its possible maximum and furthermore the manpower was available to run profitable industries. There was a sting in the tail for the government, however, when *The Statist* proclaimed that 'for British industrialists, with the capital to sink in new enterprises and the technical knowledge to run them, there would appear to be great opportunities for establishing themselves in Ireland to the mutual benefit of both countries'.¹³² This was hardly a ringing endorsement of state policy

in setting up indigenous industry.

The Central Bank, however, maintained that the government was on the correct financial track, and endorsed, albeit somewhat grudgingly, MacEntee's actions and urged him to continue in the same vein.¹³³ This brought the bank some unwanted and trenchant criticism. *The Standard* in an editorial entitled 'The Central Bank (mis) reports to you' accused the bank of going beyond its remit, arguing that:

it is difficult to avoid the view that the commentary has been given an emphasis which renders it largely political. Perhaps the most disquieting feature ... is its political trend. The political party has come to be the supreme unit for consideration in the state, not excluding the family, and the Central Bank has insured its own continued overlordship in the state's economy by the success it has achieved in setting off one political party against the other - divide and rule.¹³⁴

There can be no doubt that Brennan was apolitical. His support of MacEntee in a deflationary budgetary context was simply that. As Lee points out he was 'no friend of Fianna Fail. By 1953, Brennan was a friend of virtually nobody'.¹³⁵ Denis Gwynn writing in *The Cork Examiner* after Brennan's retirement offered what is surely the most perceptive interpretation, that Brennan and McElligott together 'have presided with shrewd judgement and highly trained experience over the management of Irish public finance without regard to party politics'.¹³⁶ *The Leader* in a profile of Brennan aptly summed up his relationship with politicians:

He conceived it to be the special function of the civil servant to guard the professional politician against himself and his friends and, at the same time, to protect the interests of the people against both. ... Brennan is one who has served his country more than usually well.¹³⁷

Within the Central Bank's report, Brennan stated that the views expressed in the

previous year's report had 'lost none of their appositeness and indeed have been reinforced in urgency by the heavy deficit in the balance of payments'.¹³⁸ The fact that the report for 1951 had criticised so outspokenly the inter-party government's budgetary strategy, while that for 1952 had supported Fianna Fail policy does not reinforce *The Standard's* position. No political party would ever have Brennan's unqualified support as he 'distrusted them all'.¹³⁹ The report, however, came in for criticism from newspapers around the country. *The Cork Examiner* noted that the report 'seems to have been drawn up by or under the inspiration of a pessimist' and argued that the 'note of alarm in the report will not excite the Community, and not a few will hold that it has been overdone',¹⁴⁰ while the *Evening Herald* commented that even though there was a mild recession in the autumn and winter of 1951 'the industrial and commercial parts of the economy required careful nursing. Instead of which they have received very drastic treatment'.¹⁴¹ In a political sense de Valera, during the 1954 general election campaign felt a need to publicly defend the aims of the 1952 budget declaring that 'our aim ... was the simple one of making ends meet - of balancing current expenditure by current revenue, as any prudent person would do in his own private affairs'.¹⁴²

By March of 1953 Brennan patently had enough of all governments, inter-party or Fianna Fail, and decided to resign. He wrote to E.C. Fussell of the Reserve Bank of New Zealand, with whom he was in regular correspondence, outlining his position:

I have been in fundamental disagreement with our governments for some time past on matters of monetary and financial policy and as there has been no sign of improvement but rather the contrary, I felt ... [illegible ?] reluctantly to go out at the end of the financial year. My board has consistently supported my views and both the board and the Finance Minister pressed me to stay on but I felt unable to retain

any responsibility in the circumstances.¹⁴³

There is little doubt that Brennan's resignation was felt deeply by his board. James Meenan, appointed in February 1949, felt Brennan's retirement was 'a great loss to the public service, which, just now has very few standards to judge policy by. But it is traditionally an ungrateful task to provide such standards'.¹⁴⁴ Brennan had intimated to the board and the government, early in 1953, that he wanted to step down. He told de Valera about his desire to resign, but both MacEntee and de Valera attempted to change his mind. MacEntee wrote to Brennan on the latter's meeting with de Valera telling him the prospect of resignation was 'as unwelcome to him [de Valera] as it is to me'.¹⁴⁵ Brennan's resignation was a watershed. The Central Bank had become indelibly associated with him. Those on the deflationist side of the economic fence saw his departure as inflicting a mortal blow against their own side. Lord Glenavy pleaded with him not to go:

even now I beg you to reconsider ... to try to persuade you against what the members of the board consider will be a disastrous blow to the cause of monetary wisdom ... The Central Bank is your creation. I do not think it would survive your going under present conditions. It may survive but it would have a long and maybe hopeless task in trying to recover from the blow of your departure. Two more years under you as Governor would make all the difference - knowing as well as you do what is involved can you not make the sacrifice of them years?¹⁴⁶

Brennan, however, could not be dissuaded from his course and duly resigned on 31 March 1953 and was replaced by McElligott, with Owen Redmond becoming secretary of Finance. In a recent article Stephen Lalor has somewhat casually maintained that Brennan was attracted to the notion of civil service intervention but maintains that his training and experience led him to see such intervention as a

negative operation preventing expenditure.¹⁴⁷ While Brennan wholeheartedly found the idea of increased expenditure to be abhorrent, and clashed with both Fianna Fail and inter-party governments over financial policy, he nevertheless recognised that civil service intervention in the political sphere only went so far. He could only offer his advice, no matter how trenchantly and leave it at that. Once he perceived that his advice to government was being disregarded he decided that he had no choice but to exit the public arena.

MacEntee versus Lemass

The performance of MacEntee at Finance between 1951 and 1954 is interesting in that it shows him following the Central Bank line regarding policy and wrestling the initiative from Lemass and his strategy of increasing production and reducing deflation. McElligott paid him the highest compliment a senior civil servant could possibly accord an active politician when he wrote to MacEntee, then recovering from illness, in 1954:

you carry now as always my respect for your ingenuity and courage and my admiration for the single-minded manner in which you have served your country ever since I came to know you, nigh forty years ago and in different circumstances. If all Ireland's sons were so devoted to her service how different would be her recent history.¹⁴⁸

While MacEntee may have earned the plaudits of similar minded deflationists, Lemass took a different route. We have seen that after the 1950-51 Central Bank report, he had attempted to distance himself and the government from the bank.¹⁴⁹ MacEntee supported the thrust of Central Bank policy as it was in accord with his own deflationary sympathies, and managed to isolate Lemass. Prior to the budget Lemass cautioned the Dail about the possible dangers of pursuing deflationary policies,

claiming that all developed countries were worried about the possibility of deflation:

Almost every country in the world which, like ourselves, was concerned at the beginning of this year or towards the end of last year, at the danger of the inflationary forces, which were then active, are now no longer worried, any more than we are, about the danger of runaway inflation. They are beginning to get much more worried about the possibility of deflation, of the downward spiral beginning to move.¹⁵⁰

The dominance of MacEntee's restrictive economic policy marginalised Lemass. This affected his role with the unions as they and his urban constituents had to face a disproportionate burden of the belt tightening impact of the budget. During the Fianna Fail government of 1951-54 Lemass and MacEntee fought out a battle within cabinet to direct government economic policy. There was a fundamental difference in their economic philosophies. MacEntee was an ardent deflationist preoccupied with the idea of sound money; Lemass on the other hand was an expansionist who believed in using the power of the state to encourage demand and investment. In September 1952 they engaged in correspondence about the possibility of raising a national loan to be used to encourage investment in the country. In reply to Lemass's promptings on the necessity for such a loan, MacEntee responded that this thesis lacked a sound factual basis. Its premise was that 'Irish resources would support a much greater capital investment in Ireland if only the banks and other Irish institutions desisted from channelling them into British investments':

This is a misconception, beloved of propagandists to which the Stacy May Report has given spurious respectability. It is absolutely absurd as a basis for policy. First it is not true that Irish resources, in the form of current savings are adequate to support present levels of investment in Ireland. The fact that we have had to draw so heavily on external resources for years is proof of that.¹⁵¹

The Stacy May report to which MacEntee referred was produced by the IBEC Technical Services Corporation which was favourable to Irish industrial policy and to the setting up of the IDA in particular, but which was also very hostile towards agricultural and especially fiscal policy.¹⁵² It advocated that policies to attract foreign industry and build up native industry should be pursued notwithstanding costing criticisms by Finance and the Central Bank. As to the former the report suggested that the government should attempt to attract American capital in particular and drew specific attention to the approach adopted by Puerto Rico. The impact of this report on subsequent industrial policy has been criticised by some who were involved in the Department of Industry and Commerce:

while the report put forward phrases like rifle selectivity rather than shotgun diffusiveness and held out the glories of Puerto Rico, where is Puerto Rico now? But everyone went for it. All you had to do was set up a suitable tax regime and foreign industries would come flooding in.¹⁵³

While the expansion of native industry was stressed, in reality this aspect took a back seat to attracting foreign industry within the department. The attitude of 'get the foreigners in to give us the jobs, while protecting our own' became widespread.¹⁵⁴ Stacy May, as *The Economist* pointed out in an article entitled 'The Irish Troubles', noted

the astonishing degree of state control in the economy ... this is due as much to the failure of private enterprise as to ministerial ambitions. A review of the principal groups of Irish industries allows them in general a greater degree of efficiency than they usually get credit for though the yardstick of comparison with the United States hardly seems helpful.¹⁵⁵

While *The Economist* might have thought that Irish industry was somewhat hard done by in Stacy May, Finance were appalled at the whole thrust of the report. They

demanded that the report not be published but de Valera overruled their objections. It was a rare example of the 'Chief' allowing what amounted to hostile criticism of something indigenously Irish. He did not have to look into his heart to see that the industrial fabric of the country was not in a healthy state. While he might have wished that his people might live off the land and lead happy frugal lives, he realised that industrial development was a necessity if his country was to have any chance of keeping its place among the nations of the earth. Thus he was willing to have the report issued. IBEC had drawn attention to the low productivity of Irish industry, and attributed this to the low level of investment in plant and machinery. The mandarins in Finance and their acerbic minister were not convinced, although there is some evidence that Stacy May did have an impact on some officials. One has commented on how T.K. Whitaker, in particular, was influenced by it because the economy in 1952 'was really a disaster'.¹⁵⁶ Whitaker, as we have seen, supported the MacEntee line on financial policy at this stage. He was responsible for writing the deflationist budget of 1952. Indeed Whitaker wrote to MacEntee, at a time when MacEntee was ill, stating 'I could not let this opportunity pass without expressing my great admiration for the courage behind the 1952 budget and for your unsparing devotion to public duty when everyone would have held you executed'.¹⁵⁷ In this context while he may have balked at the idea of the cost of the Stacy May report, he was not averse to the principle underlying it. As an ardent free trader he wanted to see protection reduced and the infusion of foreign companies into the Irish economy would obviously be a stepping stone to such an eventual outcome.

In 1953 Lemass put proposals before the government to pursue an expanded capital

programme by means of setting up a national development fund of £5 million, to be replenished in each financial year. Finance were horrified. MacEntee's response is worth quoting in full in that it shows him in typical balanced budget pose. As guardian of the nation's money he was not willing to fund industrial development if it meant that his achievements of stability in prices and money values were to be sacrificed at the altar of capital investment:

There is reason to fear that the decision of the cabinet committee in the field of expenditure have given rise to the belief that the "lid is off" and that the economy is no longer to be seriously thought of in connection with existing services or with proposals for new ones. Such an attitude can only encourage avoidable spending. In the absence of increased tax the additions of the current items in the £5 million, together with the interest charges for borrowing, makes it virtually certain that the 1953 budget will be in deficit. In any event, if next year's budget is to be balanced, additional taxation will be inevitable for the current items and to service the borrowing, including the carry over of temporary borrowing from this year. For all these reasons, the Minister for Finance views with the utmost anxiety the proposal to add £5 million to the borrowing programme.¹⁵⁸

The Central Bank were equally as upset by the proposals and asked: 'is not the whole situation being approached from the wrong angle? Government expenditure is no cure for unemployment. The lesson of past history is that the private sector of the economy is depressed by high rates and taxes'. They argued that there was evidence of inflation already existing in the economy and that the new proposals would add to inflationary pressures: 'the effect of new expenditure on employment is transitory but a dead weight debt and taxation are added too for a long time'.¹⁵⁹ Lemass saw this national development fund operating within the protective sphere for Irish industry. As the architect of the Irish protective system set up in the 1930s, he was not yet willing to commit himself fully to abandoning it in favour of a policy of free trade. While he did realise the need for export-led growth, for the immediate future it would

have to be within a protectionist framework. Furthermore there was nobody in the Department of Industry and Commerce who was willing to question the very essence of protection.¹⁶⁰ MacEntee, however, objected to the commitment to protection on the grounds that it prevented Irish industry from seeking export markets, and he believed that Lemass was mistaken in his view that Ireland could generate growth to absorb the unemployed. As we have seen, however, Irish industry in the early 1950s was not excited by the option of aggressively pursuing export markets. Moreover MacEntee did not put forward an alternative strategy for providing employment for those seeking work other than to call for low inflation, low taxation and low public spending in order to foster an enterprise culture. An injection of new money, he argued, would not be the cure for the country's economic ills. Ultimately Finance and the Central Bank still saw agricultural exports as the mainstay of the Irish economy. What was needed, they argued, was an expansion of real production, particularly of agricultural produce that could be exported at competitive prices. This development fund, they protested, would only defeat the very purpose it was designed to serve.¹⁶¹ The growth of capital expenditure, they believed, would have serious implications for the stability of the agricultural sector. Despite these strenuous objections de Valera and the government sided with Lemass and accepted the need for such a fund. It came into operation in December 1953 and lasted until March 1957.

The disagreement over the development fund was just one of a number of disputes over economic policy in the lifetime of the Fianna Fail government. In late 1952 Deputy Michael Moran urged that a 'special meeting be held in the near future for

a full discussion of Government policy'.¹⁶² A meeting of the full Fianna Fail parliamentary party in January 1953 was consequently devoted entirely to economic policy. During the course of the discussion de Valera explained that the policy of the government was 'to pay its way and that any additional services called for by the people could only be paid for by taxation' and stressed that 'increased production - principally from the land - was the remedy for most of our problems'.¹⁶³ While this was quintessential Fianna Fail policy it did not satisfy all within the party, and within six months a motion sponsored by twenty deputies was put before the parliamentary party declaring

The party is of the opinion that in present circumstances a policy of financial austerity is no longer justified, and requests the government to frame a progressive policy suited to the altered situation, with a view especially to putting an end to the undue restriction of credit by the banks, and making low interest loans available for farmers and house purchasers.¹⁶⁴

The debate which followed this motion lasted through July and when no decision was reached was then postponed until after the summer recess. The topic, however, was not discussed again until January 1954. The minutes of this particular meeting are brief simply declaring that

after a number of teachtai had contributed to the debate, the acting Minister for Finance, Proinsias Mac Aogain, replied and An Taoiseach made a comprehensive statement on the party's general financial and economic policy, Deputy Carter withdrew the motion on behalf of the teachtai who signed it.¹⁶⁵

There is no further record in the Fianna Fail parliamentary party minutes dealing with economic policy until January 1957, by which time the second inter-party government had almost run its course. The attempts by some deputies to place government economic policy on a expansive footing did not succeed as financial policy continued to be restrictive, notwithstanding the launching of the development fund. The minutes

do not indicate whether Lemass was involved in backing this motion. What is clear, however, is that it echoed what he had been arguing since Fianna Fail had regained power in 1951. The development fund was a rare victory for Lemass during this period.

As Lemass attempted to regain some of the policy initiative within Fianna Fail with this fund, he also set about rebuilding his relationship with the unions, which had taken a beating of sorts since MacEntee's 1952 budget. In July 1953 de Valera and he held a meeting with the ITUC and the Labour Party, where Lemass denied that Ireland faced a recession. He did, however, use the occasion to recommend to the government the need for significantly increased public expenditure. His policy objectives in employment were strikingly similar to those of both Congresses and moreover the means of achieving this aim was alike, massive state intervention.¹⁶⁶ For the next four years Lemass, in opposition for most of them, was to retain his commitment to state-led economic intervention. He called for a new expansionist programme which challenged the Irish banking system to play a greater role in the economy, launched a critique of restrictive practices and protectionism and most significantly urged foreign capital to invest in Ireland.¹⁶⁷ The latter was something that both the unions and the employers were calling for. Aodogan O'Rahilly, a major industrialist of the time, maintains that the real aim of economic policy in the 1950s should have been to encourage all manufacturing enterprise, both Irish and foreign, and contends that Lemass-type inducements to outside investments could have been started earlier.¹⁶⁸ While some investment incentives were now in place and the last barrier to new export-oriented investment was the restriction of foreign investment

in Ireland, Irish businessmen were very reluctant to attempt anything new in either production or marketing terms. The files of the Department of Industry and Commerce are full of applications for more state protection and higher tariffs on imported goods up to the early 1960s.¹⁶⁹ Between 1952 and 1957 An Foras Tionscal received only 249 applications, of which 75 were approved and 39 fully realised. It has been estimated that 1,700 jobs were created at an estimated cost of £460 per head.¹⁷⁰ Throughout the 1950s, the IDA encountered considerable difficulty in encouraging foreign companies to locate in Ireland. Most of these companies had not considered the possibility of setting up in Ireland, while those who had were frequently discouraged by the Control of Manufactures Acts.¹⁷¹ The IDA did, however, see that export-led growth in an increasingly competitive world was the only way to expand and develop the Irish economy. Lemass in opposition had, as we have seen, recognised that this was the case but he also acknowledged the constraints that were placed on those trying to develop Irish industry, thus he began to reformulate his ideas once back in government in 1951. As Sean Cromien points out:

Irish industrialists of the 1950s really were not very dynamic. They had low taxation, and at the slightest hint of competition they came back looking for a higher tariff. So there was a worry that these were not the type of people who were going to revitalise the Irish economy. That is why there was such an emphasis on bringing in investment from outside. There was quite a change of heart on the part of Lemass, who had been the architect of protection but who had quickly come to realise that it was necessary to allow foreign industry in to participate in and own Irish industry.¹⁷²

Yet state-led enterprise was not something which the employers viewed with any great enthusiasm. It was valid that efforts be made to attract industry, but any infringement on private enterprise was to be avoided. As McGuire, writing in 1951, asserted:

All efforts of Government should be directed to a widespread distribution of private ownership, and nothing should be done by the State that will unnecessarily penalize or discourage the ideal of large numbers of persons being engaged in small business, or individual enterprises of any kind ... it is essential that State control and interference be limited to the minimum, and that the fullest encouragement should be given to the formation of vocational groups in the community which will be urged to take an active part in the carrying on of the life of the nation.¹⁷³

Whether any government, either Fianna Fail or Inter-Party would involve the various groups remained to be seen, yet it is noticeable that an economic realignment of sorts was being encouraged by such industrialists as McGuire, and as we shall see later by both the unions and the farmers as well.

Chapter Two

Changes in the political economy 1954-1963

Lemass and the problem of protection

January of 1954 had seen Lemass ask the IDA to review the whole policy of protection. He had by then become convinced that foreign capital could undoubtedly fill a much required need. The evidence that Lemass had gathered in his years in power suggested to him that indigenous Irish industry could not fulfil the objectives of economic and industrial growth. He had been persuaded to retain the IDA when he returned to office in 1951 and that body was adamant that the Control of Manufactures Acts would have to be amended as they were a restriction on foreign capital entering the country.¹ Fianna Fail's defeat in the 1954 election left Lemass in a position to do much thinking on this issue. While realising the difficulties of protectionism, and the advantages that foreign capital offered he was still reluctant to tamper with the Control of Manufactures Acts as it had been the cornerstone of Fianna Fail industrial policy since 1932. Lemass was being urged by some within the party to grasp the opportunity that foreign enterprise would give to the economy.² In any event his spell in opposition gave him much time to mull over this vexed question as if he was to amend the Control of Manufactures Acts, he would be turning Fianna Fail industrial policy on its head. During the election campaign of 1954 MacEntee had emphasised that

if the wise and far seeing economic and financial policy of the Fianna Fail Government were continued the value of our currency would continue to increase ... The financial and economic policy of the Fianna Fail government had given the country a balanced budget, expanded social services and increased employment. It had enabled the country to conserve its reserves so that today every pound of them was

increasing in value and it had enabled all our obligations abroad to be met.³

While this was classical economic orthodoxy, and MacEntee could legitimately claim that he had pulled the country back from the brink of economic collapse, what it did not say was that Fianna Fail's performance in industrial policy was rather abysmal. Between 1951 and 1954, MacEntee and Finance attempted to reject all the main initiatives promoted by Lemass to develop industry on grounds of cost. The fundamental problem remained protectionism. As T. Desmond Williams perceptively noted:

Fianna Fail introduced it, Fine Gael continued it. Most people, however, including leading spokesmen in both administration and opposition, question the success of that policy ... But if protection were to be reduced many of these infant industries would collapse. Certain social consequences would then follow, involving damage to the interests of the worker and the employer. These interests in different ways can not be ignored by the politician ... As representative of city and town they control the marginal vote which makes all the difference to the parties concerned. When a recent crisis threatened the textile industry, the immediate reaction on the part of the Minister was to impose a flat tariff of from 50 to 75% on imports. This may have protected to some degree ... but it favoured the least efficient as much as the most efficient firms in the industries concerned; it also provided no genuine solution over a long term.⁴

This was the fulcrum of the problem for Lemass. As his economic philosophy on protection was developing, he had to balance how its removal would affect his urban constituents. In any event MacEntee's policies of economic orthodoxy were repudiated by the electorate. Fianna Fail's share of the vote fell from 46.3 per cent in 1951 to 43.4 per cent in 1954 and they lost seven seats to fall to 65. Fine Gael were the main winners in the election gaining ten seats bringing their total to 50 and increasing their vote by nearly 7 per cent to 32 per cent. More worrying for Lemass

was the slippage of the Fianna Fail vote in Dublin to 39.3 per cent down from 46.4 per cent in 1951. Fine Gael, Labour and Clann na Poblachta had all gained ground in Dublin at Fianna Fail's expense.⁵ It would be essential for Lemass that he stop this trend away from Fianna Fail in urban areas if he was to gain a stranglehold on economic and industrial policy once Fianna Fail returned to office. Patrick Lynch talks of Lemass remarking on how his interests stretched only to industrial development in Dublin 'and as far as agricultural development in the west is concerned, the west is the wild west'.⁶ Bew and Patterson have commented on how Fianna Fail's failure in urban areas presented Lemass with a golden opportunity to identify the party with economic expansion.⁷ This, however, is more a case of reading history backwards. In 1954 there was no certainty of Fianna Fail having a quick return to office and emphatically no certainty that Lemass would succeed de Valera as party leader. A profile of Lemass in *The Irish Times* in July 1953 remarked: 'when the time comes it is assumed he will succeed his chief. But will it be as easy as that?'.⁸ Furthermore *The Leader* in a commentary on the 1952 budget noted that

the Taoiseach himself is temperamentally disposed towards 'austerity' and he has himself thrived in applying it in his own case. The 'modest frugal' life has generally been the ideal advocated by him for Ireland, while he has rarely shown the same exuberant enthusiasm for an industrialised and prosperous Ireland which the Tanaiste has always endeavoured to promote.⁹

In essence what was important for Lemass was that, in opposition, he develop an economic programme that he could put into operation once he was back in office, and more importantly that it would be a programme that would deliver results. In 1954 it was not clear whether he would be able to do either.

The second inter-party government

It was the second inter-party government that would first have the chance to develop a programme for economic expansion. It never took it. Fiscal policy continued to be restrictive under the new Minister for Finance Gerard Sweetman, a man reported to be so conservative 'that if present at the creation of the world, he would have voted against it', and as having 'one of the keenest minds of the nineteenth century'.¹⁰ He endorsed his department's orthodoxy as had all of his predecessors. While McGilligan had to an extent departed from these orthodoxies, most noticeably with the capital budget of 1950, Sweetman took a conscious decision to revert back to traditional finance techniques. Despite following such a deflationary line a large deficit of £35 million emerged due on the whole to the falling volume of agricultural exports. This problem was exacerbated by a capital outflow, which increased the decline in external reserves to £47 million. This reflected a slowing down in economic growth, a loss of confidence in the economy and a drying up of profitable outlets for capital in the country.¹¹ The authorities thus decided to respond with measures which were designed to restore balance to external trade, to reverse the decline in external reserves and to place the economy on a sounder and more credit worthy basis. To these ends Sweetman imposed special import levies and additional taxes in March 1956. He followed these with further measures in May and July greatly widening the range of the import levies and increasing the rates of levy on items which had been subjected to increase in March. The gravity of the economic situation is graphically illustrated by an episode early in 1956. Frederick Boland who had moved from External Affairs in 1950 to be ambassador to Britain comments on how he was summoned back from London early in 1956 for a meeting with Taoiseach, John A.

Costello, Tanaiste, William Norton and Minister for Finance, Gerard Sweetman:

they told me that the state of the finances - the balance of payments - was bad, very bad and drastic measures would have to be taken to put it right, and that these measures would hit British exports to Ireland very severely. So I had to explain this as best I could to the British Government, so I said 'What are they going to do?' 'We're going to put a duty of 60% on all durables, machinery and so on, coming into the country'. Well I said 'the British won't like that. Listen would you not make 60% and 40% preferential in favour of British and Commonwealth'. So Norton said, 'Yes we could do that, if you think it will make it any easier'. So they gave me a list of things they were going to put duty on and I set off.¹²

Boland saw both the Chancellor of the Exchequer, Harold Macmillan, and the President of the Board of Trade, Peter Thorneycroft, on the issue and ultimately the British swallowed the unpalatable Irish duties without a 'ruffle of disagreement between the two governments'. The episode is, however, indicative of the drastic state of the Irish economy and also suggests a rather haphazard approach to trade policy formulation.

By 1956 four years of deflationary policies had taken their toll. In that year industrial production fell by 3 per cent, agriculture by 7 per cent, Gross National Product by 1.3 per cent and employment by almost 2 per cent.¹³ By the end of October, imports had fallen by £15 million as compared with the same period in 1955. Much of this saving was, however, illusory since it arose from the running down of imported stock which would have to be replenished at a later date. Furthermore, exports had, at the same time, fallen by £3 million due to a decline in the value of livestock and other farm products.¹⁴ Sweetman was insistent that the measures he took were correct. He declared that 'what is at stake is our economic independence. If we should lose this the political independence we have achieved would be a mere facade. The government

are determined that both will be preserved'.¹⁵

Walsh has argued that the effect of the massive cutbacks was undoubtedly to prolong the recession and make its impact more severe than would have been the case if the level of spending had followed longer term guidelines and shown less erratic year to year swings. While the ratio of foreign reserves to imports declined substantially during the 1950s, it remained high by international standards. The ultimate justification for holding such reserves is to help a country through exceptionally adverse periods such as 1955 was. The failure to mobilise reserves during the 1950s in order to maintain output and unemployment unquestionably led to unnecessary sacrifices which were borne particularly by the unemployed and emigrants:¹⁶ the 1956 census showed the population at 2,894,822, the lowest ever recorded for the state.¹⁷

Sweetman's economic policy was vigorously backed by Finance and the Central Bank, yet within the government there was deep division. Costello himself had grave doubts as to the wisdom of such stringent economic measures while in the Labour party there was deep dissatisfaction. The Provisional United Trade Union Organisation [PUTUO] held two special conferences on the twin problems of unemployment and emigration and actively criticised Labour for hurting its own supporters. *The Irish Times* noted that 'since the imposition of the special levies, the clamp down on public services such as housing, and the restriction of credit generally with their conjoint effect upon employment, the unions have been out of patience altogether'.¹⁸

In industrial policy the inter-party government remained committed to a private enterprise economy, but were willing to increase state involvement when private enterprises were unable to pursue various projects which might be viable:

It has been accepted policy in this country that the state should not engage in industrial and commercial activity unless it was clear that private industries were either unwilling or did not possess the necessary resources to carry out a particular project. It might in fact be said that it was only as a last resort that the state entered any field of industry or commercial activity.¹⁹

The government did, however, set out to attract foreign investment to Ireland. If Irish enterprise was unwilling to take the risk of establishing native industries, William Norton, leader of the Labour party, and the new Minister for Industry and Commerce decided that he would attempt to attract foreign enterprise. Initially the government decided to accept the proposal of an Anglo-American oil combine to erect an oil refinery in Cork harbour. This deal worth £12 million was the largest sum invested in a single private enterprise in Ireland.²⁰ Following this Norton, in the spring of 1955, decided to go on a European tour in an attempt to persuade foreign investors to come to Ireland. Accompanied by the chairman of the IDA, J.P. Beddy, and Luke Duffy, a member of the IDA board, Norton extolled the virtues of Ireland for those who might be willing to invest foreign capital. In Sweden, for example, he proclaimed that the country was singularly free from trade disputes, and more curiously from a Labour leader, that 'our wage levels are very much lower than yours'. Beddy for his part reiterated that industry in the country was protected but added that it would not have been feasible to set up native industries without such a policy. His main argument was that indigenous firms would have had to face the competition of long established manufacturers in Britain whose names and products

would be very well known in the country. Without protection it would not be possible to establish such new industries and face this competition. Ireland did have a number of advantages, stressed Beddy:

we maintain absolute parity with sterling and there is no difficulty whatever in our arrangements with Britain. There is no credit restriction exercised by the government through banks in Ireland in relation to industry ... almost all industrial goods produced in Ireland enjoy the right to free entry to Great Britain ... The Irish government favours private enterprise and does not itself engage in industry unless in special circumstances.²¹

Ireland's close links with Britain were being put forward as one of the main reasons why foreign capital should invest in Ireland. Yet it should be recalled that Finance were following the British line in fiscal policy to the obvious detriment of any Irish industrial development in that there was chronic underinvestment in the Irish economy by the time the second inter-party government assumed office. In any event Norton travelled to America, again with Beddy, early in 1956 in his attempts to attract foreign industry. He explained his motives for such visits:

The steps now being taken to attract external investment to Ireland should not in any way deter our existing manufacturers from proceeding as rapidly as possible with their own plans for development. The whole purpose of stimulating external investment in Irish industry is to promote the establishment of new types of industries and to secure an expansion that would not otherwise take place. Irish manufacturers, who are catering efficiently for the needs of the market may, therefore, rest assured that their interests will be fully guarded.²²

The problem with this, however, was that it was bound to create quite an element of doubt amongst those industries who catered only for the home market and were not too interested in attempting to find new markets. These industries were not looking to share in a harvest of expansion and were obviously worried as to how an influx of

foreign capital would affect them. The more vibrant industrialists, however, had no doubt but that foreign investment was good for industry and would help it expand and develop. As Aodogan O'Rahilly has commented:

as a country we needed more dynamism in an economic sense, whether we got it from at home or abroad was immaterial, we needed it or else we were not going to advance much further industrially or in any other sense either.²³

Fianna Fail opposed Norton's initiatives. It is tempting to see this as merely opposing for opposition's sake, particularly in the case of Lemass who undoubtedly was in favour of bringing foreign capital into the country. In late 1955 and early 1956 Lemass was actively advocating large-scale schemes of expansion. He still insisted, however, that the Control of Manufactures Acts not be repealed though he did admit that they should be reviewed.²⁴ De Valera and MacEntee, by contrast, still believed in the preeminence of agriculture over industry. While they both realised that the Irish economy needed a vibrant industrial arm, there can be little doubt that they considered that the future well being of the Irish economy lay in it having a strong agricultural export base. As the Irish economy was about to enter its worst depression since independence there was as yet no likelihood that indigenous industry would lead the country out of its black trough and into a bright new dawn.

The National plan and the emergence of T.K. Whitaker

At this stage Finance was still insisting that Ireland's recession was 'solely a monetary crisis'.²⁵ This, however, was not the case. The parliamentary secretary to the government John O'Donovan wrote to Sweetman on the perils of continuing with Finance orthodoxy:

it is almost past understanding how arguments which have been proven wrong time and time again are still produced for the purpose of conditioning the members of governments of this country to agree with courses which are contrary to their own firm convictions and their political advantage, and which experience has shown to be contrary to the good of the community in Ireland.²⁶

In October 1956 Costello, under pressure from Norton, launched a plan of national development covering every aspect of the Irish economy. He announced a series of grants, tax reliefs and other incentives to industry and agriculture, which were to become the hallmark of the new system of foreign-led industrialisation under free trade. The spur for this development was a paper by T.K. Whitaker, delivered to the Statistical and Social Inquiry Society of Ireland, entitled '*Capital Formation, Saving and Economic Progress*'.²⁷ Whitaker argued that the raising of output in agriculture and industry should have a higher priority in the allocation of savings, stating that the utmost use should be made of means of raising output which are sparing of capital so as to make savings go as far as possible and thus relieve the immediate sacrifice in consumption. Furthermore he argued that saving and production should be encouraged and excessive consumption discouraged. This would primarily enable capital development of a productive nature to be stimulated. He maintained that there should be a liberal attitude towards profits to encourage industrial expansion, arguing that assistance to agriculture should be directed specifically towards the development of productive capacity. There is a marked difference between this work and some of Whitaker's earlier writings. Ronan Fanning comments that this paper 'attempted to blaze a trail for the radical new departures in policy which characterized the years ahead'. Yet one should not necessarily portray Whitaker as having undergone a Pauline conversion from ardent deflationist to Keynesian expansionist.²⁸ Some

commentators have contended that Whitaker's actions were an attempt to gain control of the economic, if not the political agenda and to exclude more radical options.²⁹ Whether Whitaker recognised that to defend the conservative position he had to act as a radical and regain control of economic management is open to question. As J.J. Lee points out Whitaker had distinguished himself hitherto 'less as a radical innovator than as an exceptionally effective advocate of the conventional Finance wisdom'.³⁰ The traditional view, one cultivated by Whitaker himself, is that this young civil servant, promoted in advance of his senior colleagues, acted decisively in the face of an economic crisis the like of which the state had not experienced since the famine.³¹ This is quite different to interpreting his motives to expand the Irish economy as an attempt to reinforce traditional policy by different methods. There is evidence which suggest that senior civil servants in Finance were conscious of the demands of their political masters that they play a more positive, interventionist role in framing policy. While Costello's plan was in part a response to Whitaker's promptings, the then Taoiseach later recalled that he had been fully aware that

unless we produced a plan soon we were heading for trouble. In order to cope with the balance of payments difficulty we put levies on imports that caused unemployment. I felt there should be some economic plan to deal with the situation, something constructive to coincide with the strong measures we were taking. We had to give the economic body a tonic as well as medicine.³²

Seeing that the political tide was turning against traditional Finance thinking it is not unreasonable to assume that Whitaker, ardent deflationist of a previous era, turned his considerable mind and talents to new forms of economic growth. He has spoken of how disturbed he was by mass emigration in particular.³³ More importantly he voiced the belief that 'something had to be done or the achievement of national

independence would prove to have been a futility'.³⁴ In this we have an implicit statement that by the mid 1950s, conservative economic techniques employed since the foundation of the state were outmoded for a new generation. On his appointment to the secretaryship, Whitaker, as J.J. Lee has tentatively suggested, might have felt that he had to prove himself, but what is more important is that ultimately Whitaker was no dogmatic deflationist but rather a widely read dynamic young civil servant comfortable with numerous economic theories and willing to put them into practice for the good of his country.³⁵

On the industrial front Costello's plan included a special incentive to encourage exports by a remission of 50% on profits derived from increased exports, to be used for expansion of production, even more generous government grants for certain types of new factories, tax exemptions for much of the profit of the mining industry, the immediate appointment of a *Capital Investment Advisory Committee* to advise on the best methods of financing new enterprises, and the establishment of an *Industrial Advisory Council*, composed of industrialists and trade unionists, to secure informed opinion on matters of welfare and development which did not come within the scope of existing bodies such as the Factories Act Advisory Council.³⁶ Costello also announced that the IDA had begun efforts to interest continental and American industrialists in the establishment of factories for the manufacture of goods outside the existing range of governmental activity. A former official of the Department of Industry and Commerce has traced the strength of the IDA and its eventual hegemony over Industry and Commerce in industrial policy to this speech, claiming that the preeminence Costello gave it was just the boost it needed to establish a niche for itself

and make itself indispensable.³⁷

Despite these measures Fine Gael lost ten seats at the March 1957 general election. The economy was the main issue in what was generally a lacklustre campaign, with Fianna Fail claiming that the inter-party government had failed to deal with the deteriorating economic situation, was responsible for the high level of unemployment and had no policy for recovery and indeed could not have had because its members were divided.³⁸ This division was not just on party grounds. Fine Gael were deeply divided over Sweetman's cutbacks, particularly his intention to cut off food subsidies in the upcoming budget. Four members of the party's elite, Minister for External Affairs Liam Cosgrave, Attorney General Patrick McGilligan, Parliamentary Secretary to the Government John O'Donovan and Minister for Health Tom O'Higgins threatened to resign.³⁹ The defection from the government of Clann na Poblachta deferred such action but it is clear that a considerable group within Fine Gael were unhappy with Sweetman at Finance. Yet Sweetman himself fought a vigorous campaign. He claimed that Fine Gael had a progressive policy which 'built on the national solvency ensured by my tenure as Minister for Finance will create an expanding economy with greater production and exports, particularly in agriculture and will enable us to have a higher standard of living'.⁴⁰

He stressed that the appointment of a savings committee, the initiation of a savings campaign, the development of a national loan on attractive terms, tax reliefs and incentives for increased personal savings given in the 1956 budget as well as the shifting of the balance of taxation away from income to less essential expenses were

all evidence of Fine Gael's belief in the necessity for savings and for incentives towards greater earnings. Fine Gael, he added, was in favour of production, savings and domestic development but was opposed to excessive spending on less essential imports and to the wasteful use of external reserves. He thus maintained that the special import levies were necessary to achieve this and protect the country from insolvency:

The firm action taken last year has saved our economic structure and it is accordingly now possible to plan ahead and develop our resources on the rock of national solvency. The Capital budget that the Fine Gael Minister for Finance intended to introduce would have provided both directly and indirectly for increased employment, would have sustained and increased production and would have laid the firm basis and confidence required for orderly development.⁴¹

Sweetman, however, never got the chance to implement another budget as people voted against the government and the bleak economic situation. The electorate, weary of the harsh economic climate, chose Fianna Fail as the party most likely to ease economic severity.

Fianna Fail in office

Fianna Fail, however, were equally divided. Lemass kept a low profile during the campaign as the Fianna Fail platform offered nothing in the way of a growth oriented programme. If anything it preached the old traditional patterns of economic organisation, particularly in agriculture, and offered no alternative policies. In reality it mirrored a speech de Valera had given in Cork the previous July:

Our past successes should be an inspiration to us. The whole doctrine of faith in ourselves, self reliance, self discipline and self support is today as energising nationally and as fruitful as ever in the past. The present difficulties should be regarded as no more than as a challenge to our manhood, our national character and determination, to our

ability to organise, to work and to make good.⁴²

In essence it was MacEntee who was the main spokesman for Fianna Fail during the election. In typically caustic fashion he accused Costello of being in the past an Irish Nazi who had 'studied Hitler's Mein Kampf and sat at the feet of the late Dr. Goebbels'. This bizarre attack was in response to an assertion by Costello that with the exception of 1946, this was the first occasion in peace time in over 25 years that Ireland's international payments account was about to be brought into balance. This, according to MacEntee, was a shameful lie as Fianna Fail had a credit balance of over £2 million on the external account in 1938 despite the fact that they had had to pay the British government £10 million in liquidation claims with which the Irish government were saddled 'under secret arrangements which Costello's associates signed in 1923'.⁴³ MacEntee launched similar verbal assaults on Fine Gael throughout the campaign, but what is most interesting is that to some extent he sympathised with Sweetman's performance as Minister. Sweetman's budget in 1956 can be compared to MacEntee's in 1952. Showing his true conservative colours, MacEntee talked of supporting Sweetman

in the bitter struggle which I suspected he was waging with many of his colleagues to get them to accept the principle of a balanced budget. But I made it clear that the present burden of taxation was oppressive and that expenditure should be reduced so that the burden might be lightened. Such support that I gave Gerard Sweetman obviously annoyed his leader.⁴⁴

This, claimed MacEntee, was in striking contrast to the position Costello in particular had taken to the 1952 budget:

Despite having reservations and with many doubts as to the wisdom of the measures which the government was taking to deal with the grave situation which it had created Fianna Fail had given it such support as

thought justified in doing in the nation's interest.⁴⁵

While MacEntee could claim with some justification that he had the nation's interest at heart in his pursuit of deflationary economic policy, and would support such policies no matter who was in government, there were others in Fianna Fail who had a different economic agenda. A number of people left the party in disgust after the 1952 budget while others transferred to Lemass's constituency in the belief that he represented the authentic voice of Fianna Fail and would eventually win this policy battle.⁴⁶ Lemass himself was strangely subdued during the 1957 campaign. It may be that, as one former official has speculated, he felt that the IDA was becoming more powerful and that, even back in government his influence would be curtailed at Industry and Commerce.⁴⁷ Furthermore he had clearly lost the economic policy battle with MacEntee during the previous Fianna Fail administration and could well have feared that if MacEntee was reappointed Minister for Finance the same would happen. MacEntee was highly critical of Lemass's *Clery's 100,000 Jobs speech* of 1 October 1955 and a preceding memorandum on financial policy that Lemass had prepared for Fianna Fail's central committee in mid-April 1955 which advocated greater government intervention in the economy and called for full employment.⁴⁸ In fact Lemass originally submitted his Clery's speech in the form of a memorandum to the party with a meeting of the party committee deciding that

Mr. Lemass could speak in public in general terms on proposals set out in his memorandum but that reference to the Central Bank should be omitted; it could be pointed out, however, that our resources are ample to finance agriculture and industrial development.⁴⁹

It would appear that the party were anxious not to get involved, or let Lemass become embroiled, in a public squabble with the Central Bank as had happened in 1951.

While Lemass was given a somewhat guarded go ahead by the party for this speech, MacEntee took something of a back seat. In late 1954 Fianna Fail decided to ask members of its central committee to submit memoranda on areas of major policy. While Lemass quite naturally took industry, it was Frank Aiken rather than MacEntee, who was recovering from illness, who undertook the task of attempting to shape Fianna Fail's financial policy in opposition.⁵⁰ Nevertheless by the time of the 1957 election MacEntee had reemerged as the main Fianna Fail financial spokesman and could reasonably have been expecting a reappointment to Finance in any Fianna Fail government. This was not to happen.

In the political sphere, the aftermath of Fianna Fail's victory in the general election of 1957 brought one major decisive change when de Valera decided not to reappoint MacEntee to Finance. MacEntee was undoubtedly disappointed. His diary of 8 March records that de Valera 'had already seen Ryan and Aiken before me. He was apparently committed to both'.⁵¹ It was James Ryan, who had performed with distinction in Health after Noel Browne's problems with the mother and child episode, who eventually received Finance while Aiken got External Affairs. Lemass returned to Industry and Commerce, with MacEntee being effectively demoted to Health. Unfortunately this is the only record we have of MacEntee's reaction to his demotion, and we can only speculate as to de Valera's motives. Brian Farrell maintains that 'in 1951 de Valera had refused his [Lemass] request not to reappoint MacEntee to Finance; in 1957 he acceded'.⁵² Farrell's evidence is from an interview with Lemass and thus its veracity is not in question. Yet while this has remained the accepted wisdom ever since there is no documentary evidence to complement it. Sean Cromien

states that as far as he can recall 'de Valera had great difficulty in getting anyone to take the job'.⁵³ This, however, must be seen in the context of someone taking it once de Valera had made a conscious decision not to reappoint MacEntee. Ryan it seems was a compromise choice. Lee, the only author to suggest a tentative reason, and even then more to do with the leadership than the demotion from Finance advances the belief that MacEntee 'was discredited by his association with the unsuccessful policies of the previous Fianna Fail administration'.⁵⁴ While this may indeed be so, de Valera himself cannot escape the charge that he had wholeheartedly supported MacEntee's policies. If anything de Valera must stand equally as indicted. There is no evidence that de Valera was willing to listen to alternative advice. Some years later he complimented Whitaker on Economic Development, but added 'ach ta rudai eile nios tabhachtai' [But there are more important things].⁵⁵ De Valera's idea was that Ireland would produce and consume whatever it needed, exporting only what was necessary to obtain foreign exchange. MacEntee's conservative economic views would not have seen the light of day if de Valera had opposed them. As Tim Pat Coogan has pointed out in his truculent biography of de Valera, the Fianna Fail cabinet was 'a democracy in which one vote counted - Eamon de Valera's'.⁵⁶ It is interesting that in the Fianna Fail parliamentary party minutes of this period de Valera is referred to officially as the 'Chief'.⁵⁷ There can be no doubt about his status. As absolute head of the party and the government no major policy decision could be implemented without his approval. In any event, de Valera, astute politician as he was, had undoubtedly realised that Fianna Fail had gone to the country in 1948 and 1954 with conservative economic records and had been defeated in both. The economic crisis the Fianna Fail government confronted in 1957 was so severe that

there was every likelihood that a conservative approach would only exacerbate the problem and more importantly return the party to opposition at the next election. De Valera thus decided that change was necessary. It was a change brought about by electoral fortunes, not a deliberate break with traditional Fianna Fail economic policies. He consequently relegated MacEntee and promoted Ryan to Finance. There Ryan left the running of the department to his officials, Whitaker in particular, and concentrated on getting Whitaker's ideas accepted by cabinet.⁵⁸ As Whitaker has speculated:

First of all one must see that Dev recognised, through the eminence he gave to Lemass, the deficiency in his own viewpoint. De Valera was supplementing his idealistic view of things by a practical go-getter person in Lemass. Dev was still Taoiseach when they decided to publish this piece of official advice ... One is left thinking that it was his political instinct - it was a way out, a brilliant way out from being imposed in the old policies. Dev presumably had the perception to see that change was necessary.⁵⁹

There can be little doubt, as Pauric Travers points out, that 'de Valera can have had little stomach for the abandonment of protectionism and self-sufficiency'.⁶⁰ By the time Fianna Fail won the 1957 election he was remote from much of the debate within the party. Yet he did recognise that the policies of economic retrenchment had resulted in defeat for his party twice in the previous nine years. With Lemass at last having overcome the financial orthodoxy of MacEntee, what could Irish industry look forward to as the ideology of free trade began to take a foothold within the Irish civil service and body politic?

Fianna Fail's return to office in April 1957 with an overall majority saw Lemass restored as Minister for Industry and Commerce. He immediately began the gradual

process of opening up the state to new foreign investment, though without as yet removing tariff obstacles. He did, however, face an obdurate civil service in his attempts to initiate reform. A report from Industry and Commerce, during the Irish negotiations to join EFTA, predicted that in the event of protection disappearing, a significant section of Irish industry would simply cease to exist. It estimated that up to 60 per cent of industrial employment (154,000 in 1954) would be lost if unrestricted entry of foreign goods were permitted: 'Whatever the outcome, we must face the disemployment of from 80,000 to 100,000 persons, to say nothing about consequential disemployment that may be expected in other directions'.⁶¹ Patrick Lynch maintains that this report shows the paucity of thinking within the civil service at the time and declares that in retrospect the view is 'sheer nonsense' when one considers what the country was losing through emigration at the time.⁶² Emigration between 1946 and 1956 was in the region of 300,000 while employment in manufacturing industry in the period increased by only 34,000. The economic instability which plagued Irish policy makers throughout the 1950s led to serious unemployment and consequently mass emigration. The relative success of the British economy at this time and its labour shortage provided a strong pull for emigration. Wage rates in Britain moved far ahead of those in Ireland, as did overall standards of living facilitated by the developing welfare state. Historically, Ireland had compared its living standards with those of Britain, and the distance between them widened during the decade. Ireland's historic association with Britain caused mental as well as practical problems. Todd Andrews, for example, argued that a psychological sense of inferiority pervaded the country and the farming community in particular. This was an important point emanating from one of the prime public

servants and industrialists of the era. For Andrews and the policy making community in general

the keynote of the national economy is agriculture and until we have fully utilised our national resources in agriculture nothing further in the way of substantial development is likely ... I feel if the farmers want help they should get it if for nothing else than to show the goodwill of the country towards them and disabuse them of distrust.⁶³

Policy makers of all hues and from all parts of the civil service were at one with Andrews' description of the importance of the agriculture to the economy. All those interviewed in the course of this research whether industrialists, civil servants or agriculturalists, have emphasised the belief in the primacy of agriculture for the Irish economy which dominated policy making. Yet one of the most significant features of the 1950s was the virtual collapse of the small marginal farming sector, leading to the demise of agriculture as a focus for employment or growth. This posed a serious problem for policy makers. If one compares Ireland with some other small Western European states one can see that substantial change took place in the structural composition of the labour force in most of these states, but not significantly in Ireland. This in itself was significant in Ireland but not as significant as elsewhere.

Table 1

Share of labour force in Manufacturing Industry and Agriculture

	Manufacturing				Agriculture			
	1940	1950	1960	1970	1940	1950	1960	1970
Austria	22.0	22.7	30.8	31.1	39.0	32.3	22.8	13.8
Belgium	35.3	36.6	34.6	32.0	12.1	----	7.2	4.6
Denmark	25.1	26.8	28.9	27.6	29.9	25.6	17.8	10.6
Finland	15.4	20.7	21.5	24.7	57.4	46.0	35.5	20.3
Netherlands	25.3	----	30.5	24.0	18.8	----	10.7	6.1
Norway	22.1	25.8	25.5	26.7	29.5	25.9	19.5	11.6
Sweden	27.4	31.0	34.2	29.2	28.8	20.3	13.8	8.1
Switzerland	35.5	37.3	39.8	37.7	20.8	16.5	11.2	7.7
Ireland	12.2	15.2	17.0	20.2	45.3	39.6	35.2	25.4

[Source: Lars Mjoset, *The Irish Economy in Comparative Perspective*, pp. 112-113].

It is possible to identify a significant difference between Ireland and Europe up to the late 1950s. For the most part Ireland restored its protectionist framework for industry after the war, while import substitution remained the policy goal for most political parties and successive governments. Though industrial protection had brought limited success, its continuation contrasted sharply with policy in most other European states.⁶⁴ Furthermore, as we have seen policy making continued to emphasise agriculture over industry, again in contrast with Europe. Agriculture continued to employ a significant part of the labour force, but in addition the small family farm was idealised as a social unit rather than as an efficient economic unit. Yet as Lee and O'Tuathaigh note, Lemass

had never shared de Valera's dream of a small farmers Utopia. De

Valera was reared in an agricultural labourer's cottage. To him, the security of the small farm represented the grasping ambition of his ancestral class. Lemass, Dublin born and bred, had no feeling of romantic nostalgia for small-farm Ireland. The only surplus he saw coming off small farms was children. Small farmers could not produce, in his view, the surpluses necessary to build up a thriving economy.⁶⁵

Lemass recognised that the sustenance of de Valera's pastoral society was heavily dependent on Ireland's privileged access to the British market, an objective which had been realised in the 1948 trade agreement and maintained subsequently. In comparison with its continental competitors, such as Denmark and the Netherlands, Irish farming was relatively high cost and inefficient. Its position in the British market was secured not through competitive advantage, but due to political negotiations between the two states and agreements which excluded continental competition. There was a well founded fear in Ireland that any opening of British markets to European competition would lead to the weakening of the Irish advantage. Thus the newly returned Fianna Fail government knew that they had to develop a strong industrial policy which could stand side by side with agriculture in developing the Irish economy.

By 1957 Fianna Fail realised that they had to travel along a different economic path than they had previously taken while in government. Lemass had hinted at this at a parliamentary party meeting in January 1957 where he made a statement dealing 'with certain short term proposals involving government expenditure and retrenchment, which he felt were required to deal with the grave immediate problem of unemployment'.⁶⁶ In his first budget speech Ryan unequivocally spelt out the economic objectives of the government and their commitment to attaining them:

It is clear that we have come to a critical stage in our economic affairs. The policies of the past though successful in some directions, have not so far given us what we want. Further progress on a worthwhile scale calls for a comprehensive review of our economic policy. The direction and rate of our future advance will depend on the decisions we take now. There are no easy expedients by which our difficulties can be solved.⁶⁷

This speech fundamentally supported Whitaker's stance and reassured the country's premier civil servant that the government was committed to export led growth. Lemass recognised that existing investment and output were not sufficient to maintain the level of demand he believed necessary to obtain full employment and he became a wholehearted supporter of Whitaker's export led ideas. Whitaker himself had instructed his officials that it was 'desirable that this Department should do some independent thinking and not wait simply for Industry and Commerce or the I.D.A. to produce the ideas'.⁶⁸

Thus it was in the atmosphere of a new government and a more active and interventionist Department of Finance, that Economic Development was born. Whitaker himself has stated that it was Gerard Sweetman's tenure of office as finance minister which did much to pave the way for Economic Development. Not only did Sweetman appoint Whitaker to the secretaryship of Finance in breach of seniority principles, he also established the Capital Investment Advisory Committee and initiated the Irish application for membership of the International Monetary Fund and of the World Bank. These innovations were intimately linked with the immediate origins of Economic Development. Sweetman also provided tax reliefs for exports in 1956 which emphasised the need for a substantial increase in volume and efficiency of national production.⁶⁹

Theodore Hoppen has described the production of Economic Development and its impact in curing what seemed the terminal disease of emigration and unemployment in the following terms:

the story of how such things were for a time banished is one which Irish historians have become so accustomed to telling that, like all oft-repeated tales, it has acquired something of the character of myth. In its most usual form the role of modern St. Patrick expelling the snakes of depression with a wave of his Keynesian crozier has been divided between two dynamic innovators, namely, T.K. Whitaker ... and Sean Lemass.⁷⁰

Whitaker advanced a three pronged strategy: more planning, fewer tariffs and greater emphasis on productive investment. Lemass did not hesitate to join him. As Lee has memorably pointed out of Lemass:

there were few societies in Europe which appeared to offer less scope to a merchant adventurer than the stagnant Ireland of the mid-twentieth century. Only a conquistador of the spirit, however pragmatic his short term tactics, could have embarked on such a journey.⁷¹

A renewed activism

Yet Lemass and Whitaker were not alone. At a wider level the mid 1950s saw developments pursued which went some way towards solving the psychological problems Todd Andrews talked of when he pointed out in 1957:

psychologically speaking we have not fully severed the British connection and our economic and administrative reflexes were too much conditioned by our past historical and present economic association with Britain. We are inclined to rely too much on the British framework of reference for our ideas on policy. If we have the confidence in ourselves which we are entitled to have, and if we have a determination to act as well as to think, I believe it possible to achieve this wish ... A psychological blight seems to have descended on the country and the young people in particular seem to have lost confidence in our future.⁷²

Studies, the influential Jesuit journal, devoted a whole issue in spring 1955 to 'Ireland Tomorrow'. The editor, who had made 'no attempt to tailor the essays to a rigid, preconceived pattern', found it 'all the more remarkable, therefore, to discover the common undertone running through these pages: the plea for a more creative outlook'.⁷³ This was just one example of discontent running through the various political journals. *The Leader*, under the editorship of UCD historian T.D. Williams and UCD economist Patrick Lynch, *Hibernia*, and *The Bell*, edited by the radical socialist Peadar O'Donnell produced provocative and well informed political and economic comment. However, *The Bell* had by 1950 lost most of its political cutting edge and was predominantly literary in content by the time of its demise in 1954.⁷⁴

At official level the degree of worry amongst public servants as to the welfare of the country was crystallised by the launch in 1953 of the journal *Administration*, 'designed to give civil servants an outlet to express opinions on professional matters and eventually to form an institute of public administration'⁷⁵. In general the senior civil service at the beginning of the 1950s was 'seriously deficient in its capacity for abstract thought and somewhat unskilled in the art of public administration except among purely traditional lines'.⁷⁶ Yet in 1952 some younger officers in the civil service had set up the Association of Higher Civil Servants and it was through *Administration* that they 'could vent some spleen, as it were'.⁷⁷ The establishment of *Administration* was, as Garret FitzGerald points out,

a remarkably brave venture in those dark days of the early 1950s, when uniquely amongst industrialised countries in the dynamic post war years, the Irish state, just three decades old, was sunk in the economic stagnation and intellectual torpor of that least distinguished decade of its history.⁷⁸

Early in 1952, what can only be described as an inspired group of civil servants in the Department of Local Government at the Custom House, together with colleagues from some other departments, established an informal committee to organise meetings on issues of public policy. Headed originally by Patrick Doolan, Collector of Customs and Excise, its first meetings drew an inordinate response with Tom Barrington recalling that on some occasions 'up to five hundred people would turn up'. Doolan, according to Barrington, 'was fed up with the way the Association of Higher Civil Servants were bellyaching about pay rather than discussing policy making initiatives. That was the driving force for him'.⁷⁹ Eventually this group, which included Barrington, Brendan Herlihy and Des Roche, did manage to persuade the association to finance the discussion group. Within six months of their first meeting *Administration* appeared, publishing in journal form papers which were read to the discussion group as well as other specially commissioned papers.⁸⁰ *Administration* quickly saw its readership rise to 2,000. It received support not only from within the civil service but also from local government service. Furthermore academics, foremost among them Basil Chubb and Patrick Lynch, involved themselves from the start. Whitaker also used the journal as an avenue for his thoughts. His influential article 'The Finance Attitude', in which he still advocated that deflationary measures were best for the Irish economy, was published in the Autumn 1954 edition.⁸¹ The importance of the foundation of *Administration* was that it showed, in a most fundamental way, the restless discontent that there was in parts of the civil service. The former civil servants interviewed during the course of this research all maintain that there was a sea change in thinking about how the country was performing in the early parts of the 1950s and what remedies could be put into place to rectify the

situation amongst some in the civil service. This concern was reflected in pockets of influence throughout the country. While Ireland was still isolated from mainland Europe and its trading blocs, some senior policy makers were not content to rest on their laurels and simply leave events to themselves. For them there was no sense of complacency or contentment. Paddy Lynch maintains that while this is true when one considers

Whitaker and a few others, yet for the most part too many in the civil service took the view that if you wanted economic planning, go ahead but we must look after our own departments in the traditional way. This shows the paucity of thinking in the service, it needed radical reform. It simply worked on a day to day basis. There was no long term strategic planning or thinking in place.⁸²

Local government was one such department. Dermot Nally, who began his distinguished civil service career in that department, recalls:

Local government was in a different world to the rest of the government departments. It had no influence, did not attempt to have any and did not really relate to national policy making to any degree. We were really in the wilderness in the sense of national policy making.⁸³

This position was symptomatic of most government departments. There was little independent thinking. By the mid 1950s it appeared that if the civil service did not attempt to reform from within, it would simply become a bureaucratic monster, going through the motions of government, offering old solutions to new problems, and extremely reluctant to try anything even remotely tainted with novelty. There were many within the policy community who believed, however, that the civil service needed to be drastically reformed. Todd Andrews in 1957 wanted to

divide local government into eight or ten regions, run them by a small number of elected representatives plus a manager endowed with the same powers as at the present. I would remove from local

administration some of the functions at present exercised by county councils. ... I think we should change our ideas to permit the civil service to take a more active part in the affairs of the country than they are permitted to do at present. ... Civil servants should be able to comment outside their department remit and should be permitted to serve on local councils.⁸⁴

While these may have been radical proposals, and later Andrews stopped advocating such developments when he realised that the managers did not want an expansion in their role, the more significant point is that there was a body of opinion in public life who maintained that a stagnant civil service was serving the country poorly and change was urgently needed.⁸⁵

The Catholic Church and economic policy

The Catholic Church also entered the debate on the country's economic affairs. Ruth Barrington maintains that the liberalisation of the Irish intellectual climate of the 1960s was seen in the fact that 'bishops asked for increased state intervention in the affairs of the community, not less'.⁸⁶ While this is broadly true, some individuals within the hierarchy were advocating such a policy years earlier, though they couched their arguments carefully. William Philbin, Bishop of Clonfert, was one of the first into the fray when he delivered a lecture entitled 'patriotism' in August 1957. He argued that a highly developed national culture would give the world something to remember the Irish by other than 'our name carved on a tree':

For such ends we may not neglect economic realities. If our numbers diminish much further we shall not have the strength or the interest left to develop the spiritual and cultural resources of our people and to offer the world evidence of an individuality justifying our struggle for independence.⁸⁷

The equation of the national struggle for independence with the struggle to gain a

healthy expanding economy was also one that Whitaker himself used when he argued throughout 1957 and 1958 that without a progressive economy, political independence would be 'a mere facade'.⁸⁸ Philbin argued that it was vital to keep national prosperity abreast of what were rapidly rising living standards in other countries. This was evidently the only way of

preventing our country of being drained of its most ambitious citizens. We cannot progress along these lines without the all out effort of all our people. There is need for the whole of our patriotic energy. ... Surely a moral is easily drawn from the fact that our economic backwardness is being used more and more as an argument against the reintegration of our country. A healthy economy is a presupposition of any political progress. To exist at all is more important than the political manner of one's existence. ... Our patriotism needs to be realist, not escapist, practical not spectacular and romantic. If only a remnant of the Irish people is left at home, living on a run-down economy, it will matter little how we are governed, we shall be a negligible factor in human affairs.⁸⁹

In this one can see implicit criticism of de Valera's vision of the pastoral society. While this vision might have been entirely laudable, in economic terms it had failed and there were those within the church willing to say that it had failed. A country that was not succeeding on the economic front had nowhere to go. Yet some within the clergy were enthusiastic followers of de Valera's Ireland. Father Terence Cosgrove, parish priest of Kilnamona, county Clare, for instance stressed that

we in the Republic have not fared too badly at all, taking due account of all the circumstances. ... May Ireland be eminently successful in her task, may she complete her work at home and may she be as she was in the Golden Age of history, an exemplar and a light to nations.⁹⁰

Here one can see illustrated two positions within the clergy on Ireland's economic problems. In essence catholic comment on the economic issues came down to a matter of individual choice. As Archbishop Joseph Cassidy has pointed out, 'that was just

the way it was, the hierarchy had no real concrete position on government economic positions, and would not have been put out by individual priests or bishops making occasional comments on current events'.⁹¹ It is interesting that *Christus Rex*, which styled itself as a catholic journal of sociology, opened its pages for critical comment on the economy to writers of various ilks: one did not necessarily have to be a member of the clergy to contribute to it. Thus Whitaker's Economic Development came under much scrutiny. The anonymous PMcK, for instance, wrote in the July 1959 edition that while Economic Development gave a complete picture of national economic policy for the immediate future and the diagnosis added up to a 'partial confession of failure, there may be some misgivings about the future. It does not seem likely that there will be any lessening of the government grip on our economic life'.⁹² Government interference in the economy and in the life of the citizen was something that had preoccupied the clergy for some considerable time. In April 1952, William Conway, then Professor of Moral Theology at Maynooth, and later to become Cardinal and Archbishop of Armagh, offered one of the more balanced statements of the time when he examined the reasons for the rapid growth of State power. While he demonstrated that this growth was a response to genuine needs and was accepted by Catholic social theorists, he did argue that

the growth and power of the State has become so sudden and so rapid that men of almost all shades of political and economic thought are beginning to wonder whether we have not loosed something which is getting out of control.⁹³

Conway did recognise that the State 'had not merely the right but the duty to interfere in economic affairs when the common good demanded it', and declared that it was 'no part of the Church's teachings ... that State intervention is wrong in principle and therefore to be opposed in all cases'.⁹⁴ He did insist, however, that the Church was

right to be watchful and to oppose the government when it felt that it had no other option. In essence some in the Catholic Church were prepared to comment individually on the economic situation and the role of government but on the whole the church formulated no concrete position on economic policy.

The question of state control in the economy raised its head the following year when Patrick Lynch's celebrated article 'The Economist and Public Policy' appeared in *Studies*. In this article Lynch made a case for a more positive role for the state. He attacked the critics of 'intervention' as 'unhistorical' and in many ways unrealistic.

He went on to argue:

There may well be methods other than extended state activity of solving the economic and social ills associated with high rates of emigration. Many people may be satisfied with a stationary population and prefer to let emigration continue. If so, well and good, but if not, it is evident that existing organisation of the Irish agricultural and manufacturing industries cannot provide work for 25,000 additional persons a year. It is not therefore a question of whether the state plans or not, but of what kind of planning the state undertakes.⁹⁵

Lynch then went on to argue that 'intelligent centralized planning' would achieve a better balance in the state capital programme. This was indeed a radical proposal for a young economist, just out of the civil service and newly appointed at UCD to espouse and it garnered a hostile reaction from some quarters. The same issue of *Studies* contained four more traditional responses, including two from the clergy. Lynch recalls that the editor of *Studies*, Ronald Burke Savage was quite critical of much of the article but had no qualms about publishing as long as some commentators could reply in the same issue to the article.⁹⁶ Lynch had no difficulty with this, but his respondents did have a lot of difficulty with his arguments. Edward J. Coyne, S.J.

Professor of Moral Theology at Milltown Park, for instance, declared that social perfection 'does not lie in the direction of centralization of economic and social powers of the state. ... Social perfection in human society is not found in maximising the positive economic and social functions of the state'. F.C. King criticised Lynch for not defining the limits of state intervention, claiming that 'on the contrary, he seems to envisage without dismay the prospect that state intervention and state powers will continue to extend unchecked'.⁹⁷ While Lynch's article spawned quite an academic debate at the time on the issue of state control and intervention in the economy, Economic Development, as we have seen, was welcomed on the whole by the clergy, with Philbin's ideas in particular mirroring Whitaker's. As Ronan Fanning points out Whitaker deliberately quoted Philbin in Economic Development so as to lessen the possibility of its being damned with pejorative 'socialist' connotations of 'planning', hence Whitaker's preference for 'Economic Programme' as opposed to Economic Plan'⁹⁸ There is little doubt, however, but that Whitaker and Philbin were of like mind. *Christus Rex* also saw an important contribution on economic affairs from Labhras O'Nuallain, an economist from University College, Galway, who in April 1958 maintained that

the prospect of a substantial expansion of industry based on Irish private enterprise alone does not appear to be very bright for some time to come. In many parts of the country, the people with capital have no enterprise; the people of enterprise, in many cases have no capital, and a good many enterprising young people have left the country altogether. The introduction of foreign capital and foreign technicians is not a thing to be deplored, but to be welcomed, especially when they bring new skills and industries with a large male labour content.⁹⁹

Bringing in foreign expertise was one of the fundamental tenets of the new economic strategy Whitaker was planning for the Irish economy. Moreover for O'Nuallain, 'a

long term comprehensive programme of planned development is imperative if we are ever to remedy the basic structural defects in our economy'.¹⁰⁰ When these lines were written, Whitaker, and his team, were in the throes of completing Economic Development and it does seem remarkable that within public commentary, there was, to an extent, a convergence of minds on the solutions required to boost the Irish economy. O'Nuallain argued that the conventional notions, and lines of approach adopted in the formulation of national economic policy since the foundation of the state would 'have to be cast aside before this State will be firmly on the road to rehabilitation'. He continued:

One of such notions that must be abandoned is that the sole repository of wisdom lies in the headquarters of State Departments. There are sections of the community, in the Professions, in the Trade Unions, in Industry and Commerce, in Agriculture and in the Universities, able and willing to give objective and competent advice and views on the essentials for views in a programme of national rehabilitation.. The Government that seeks out the advice and support of such people and learns to canalise that reservoir of national pride and self respect so far untapped, will be the Government, no matter its composition, that will set this nation on the road to national prosperity.¹⁰¹

While there is no evidence that anyone engaged in national policy making was influenced by this article and the argument contained within it, it is interesting to note that O'Nuallain's hypothesis calling for development of corporatist style relationships between the economic interest groups and government was, to a degree, taken on board in the years after the publication of Economic Development when the various professional bodies were consulted during the making of national policy as the government put in place a conscious political structure which did integrate the organised socio-economic producing groups through a system of representation and co-operative mutual interaction.

In addition, the whole question of the role of the civil service implicitly raised in this article was one that was receiving more attention by the late 1950s. A job in the civil service in the Ireland of the 1940s and 1950s was considered to be a plum position in society. Of those civil servants interviewed in the course of this study, Whitaker, Nagle, Barrington, Lynch, Cromien and O’Cearbhaill all entered the civil service out of monetary considerations, with the phrase ‘I needed a job’ cropping up continually.¹⁰² Todd Andrews in 1957 maintained that it would be better for the country if those individuals who entered the civil service out of such considerations went into industry instead and argued that they would if national industrial development proceeded at a rapid rate.¹⁰³ Moreover a number of years earlier, a parliamentary party meeting of Fianna Fail adopted a motion calling on the Minister for Finance ‘to take immediate steps to effect a gradual reduction in the number of civil servants so as to bring them into line with what the country can afford’. MacEntee, as Minister at the time, responded by explaining that ‘a special effort was being made to effect such a reduction’.¹⁰⁴ In essence the argument about the civil service mirrored the debate about interacting with the economic interest groups in that both were a part of a re-examination of the way government conducted its business in the period.

The appointment of T.K. Whitaker and the new ‘Finance’

The appointment of Whitaker as secretary of Finance in 1956 is normally considered to be a radical departure for the civil service, in the sense that traditional hierarchical expectations were ignored. As Lynch points out, ‘Sarsfield Hogan who was scheduled to succeed Owen Redmond was very able, but from a different generation, in many

ways it would have been a tragedy had he been appointed'.¹⁰⁵ More fundamentally Whitaker himself came to the post with different expectations and with an intellectual development distinct from many of his predecessors or colleagues.¹⁰⁶ His challenge would be to take his senior colleagues with him in moving the Irish economy 'out of the desert and into the promised land'.¹⁰⁷ He realised, however, that this land would have social and political, as well as, economic implications. It was within this context, and under Whitaker's impetus that the Irish government looked to Europe for a way out of the economic morass that the country found itself in.

For the most part policy makers reflected public opinion until the second half of the 1950s. A conservative policy making consensus existed, which continued to support the dominance of agriculture as the primary focus for economic policy. Industry retained a secondary, if significant, place in this structure, though it possessed little influence because of its size and lack of political weight. Lemass had fought a losing battle against MacEntee and Finance in the 1951-54 Fianna Fail government. His reappointment to Industry and Commerce in 1957, and more importantly MacEntee's demotion from Finance to Health, is usually seen as the moment where he finally gained the upper hand in his battles with Finance. Finance had historically been associated with a conservative viewpoint of fiscal and monetary policy, and ministers usually followed the traditional classical economic line advocated by McElligott. Sean Cromien has spoken of how imposing a figure McElligott was within the department: 'he basically ran, with Brennan, financial policy in the state for close on thirty years'.¹⁰⁸ McElligott, and Finance in general, considered the economic link with Britain and the emphasis on agriculture to be of paramount importance in maintaining

economic equilibrium. Their criticism of protectionism was more a concern with the balance of payments situation than an advocacy of an expansionary industrial policy. Yet with the arrival of Whitaker to the helm, Finance, notwithstanding its historical cautiousness in economic policy, had changed decisively. By the turn of the decade it was the department that did most of the intellectual thinking within the civil service and it was the department that administratively would lead Ireland on a new path. Finance, under Whitaker, continued to oppose protectionism, but from a more dynamic viewpoint than previous. It was Industry and Commerce which would come to support, albeit reluctantly, free trade.

Altruism in the country: the case of the EDC

Notwithstanding the criticisms of Irish industry running through Professor Lee's writings, there were some signs of unrest in business circles at the country's economic weakness.¹⁰⁹ By late 1956 a small group of businessmen and professionals who had been influenced by the development in Lemass's economic ideas were contemplating getting together in a concerted attempt to improve the country's industrial and economic performance. As Joseph McCullough maintains:

we were all greatly influenced by Lemass who was a gruff man, but who really inspired people to do things. He was all for, in a matter of fact way, of getting rid of all the obstacles, grabbing things by the scruff of the neck. We have to do it, let's get on with it, that was his attitude'.¹¹⁰

Spearheaded by a group of engineers consisting of Joseph McCullough, Padraic O'Halpin, Al Kelly, James Myler, and an architect David Keane, this little circle had what one member has described as 'fire in their bellies' to rid Ireland of the scourge of emigration and mass unemployment.¹¹¹ Their idea was a simple one. They would

analyse the import and export statistics in the hope of identifying those imports which could be replaced by home made goods. O'Halpin and McCullough were members of the Institute of Engineers of Ireland [IIE] and were trying to influence policy mainly to show that Ireland needed more engineers in order to have more industry. Thus they set out, originally on an ad hoc basis, to try to develop indigenous industry. In essence they wanted to see that plant which was normally imported would be made in Ireland. As Kelly has pointed out:

when I joined the ESB in 1947, not a single solitary thing used was made in Ireland. My job was to get things imported, but I knew these things could be made in Ireland, I was insisting that they should be made in Ireland having seen that it could be made in Ireland. Basically it was not a policy decision but truly altruism.¹¹²

Out of this dynamic positive and normative mentality a national economic advisory group of IIE was set up in October 1956 to 'advise central council on any action or policy which might be appropriate in the present period of national economic difficulty'.¹¹³ Out of their subsequent report and the developing economic situation was born the Engineering Development Council [EDC]. O'Halpin, described as the driving force behind this group, believed that the time was right for an industrial initiative whatever the party in power. Although all who were initially involved in the EDC were personal supporters of Lemass, not all were members of Fianna Fail.¹¹⁴ Joseph McCullough, for instance, son of the revolutionary leader Denis McCullough, came from an anti Fianna Fail home.

O'Halpin succinctly summed up the frustration that his generation felt over such economic problems:

In most old countries, the ability to influence policy lies mainly with

hereditary aristocracy, from their mutual friendships, or in the hands of the wealthy, or in powerful trades unions. We have few, or even none, of these forces. Power here lies with hereditary politicians and with the Church. Neither of these is immediately concerned with economic disturbance, so that no great energy is released by these disturbances.¹¹⁵

He felt that while they could do little with the church, there was something that they could do with politicians. O'Halpin, a Fianna Fail organiser, was close to Lemass and believed that more could be done by the state to increase prosperity for the people. His generation was different from previous ones: 'in particular our concern for the country has less nationalism and more regard for people. We are not upheld, as they were, by the belief that social progress would quickly follow on political freedom'. Certain people on the National Executive of Fianna Fail had approached O'Halpin in 1956 to propose a motion that its annual Ard Fheis demand a policy statement on economic issues. With Fianna Fail in opposition this item was probably the most important on the agenda as economic issues were dominating the political sphere at this time. Yet de Valera spent half of his presidential address rebutting such inferred criticism. It was no secret, O'Halpin claimed, that 'many on the National Executive felt the need for a less traditional approach'. While this demand was resisted by the National Executive, with O'Halpin blaming 'strong personalities', presumably MacEntee, the economic resolution was carried by the Ard Fheis after a recount.¹¹⁶

In early 1957 Lemass and O'Halpin entered into correspondence on the possibility of making the machinery and equipment requirements of local public authorities, the Board of Works, the CIE, the ESB and Bord na Mona the basis of an engineering industry on a larger scale than had hitherto been achieved. The trouble was, however,

that these authorities had always been inclined to oppose such developments, preferring a situation where they could buy freely in competitive markets according to their own requirements, and to avail without constraint of all new developments. To ensure their participation, argued Lemass, would mean introducing a centralised control which it would not be easy to make effective. He was, however, convinced that in regard to future industrial expansion,

we must start thinking in terms of attracting into this country large external firms to locate export factories here, and frame our tax and other laws to encourage and facilitate this result. I cannot say the effort will succeed but I would prefer to make it before planning state activity in the industrial field.¹¹⁷

Throughout 1957 O'Halpin as a member of the economic advisory group of the IIE engaged in discussion with Lemass and with the Department of Industry and Commerce once Fianna Fail were back in office about the possibility of setting up a commission to enquire into the mechanical engineering industry in order to make it more profitable and to create more jobs in this sector. What they ultimately had in mind was creating a design authority for promoting mechanical equipment that was being imported by or on behalf of state organisations. Discord, however, entered into the discussions when the IIE group felt that they were being stalled by the department:

We feel that a prima facie case has been set up in our documents for your intervention in this situation by a commission or other authoritative agency. If our views have failed in main argument or in entire conception or by your decision to resolve the situation in another way we had hoped to be informed. ... It seems to the group that the impetus for Governmental decision in general may arise out of combinations of circumstances that we are not likely to affect and which are not caused by approaches such as ours.¹¹⁸

O'Halpin felt that if their document had failed in arousing active interest and

corresponding effort it would be a mere luxury on their part to reinforce that failure.

For his part Lemass believed that the Dundalk Engineering Works, a new company which had taken over the Great National Railway engineering shops at Dundalk, was involved in the activities that O'Halpin's group were suggesting:

the examination of the practicability of manufacture, complete or partial, and of the possibilities of standardisation is in progress in what is, in my view, the best possible way in so far as it is being undertaken by those who have the ultimate responsibility of making good on any conclusions they may reach as to what is feasible.¹¹⁹

In these circumstances Lemass did not think that there was anything much more to be gained by the setting up of a committee as O'Halpin had suggested. Far from being put off, however, this group continued their efforts and eventually set up the EDC which consisted of employers, trade unions and technologists. They claimed a dramatic effect on employment and were responsible for getting a number of industries firmly established. Among these were J&L McLoughlin Steel Manufacturers, Murphy Brothers and Thompsons of Carlow, both of whom were also involved in the mechanical engineering industry.¹²⁰ This group had the support of a number of influential public figures. Todd Andrews, the distinguished public servant told a symposium of Cumann na n-Innealtóirí, early in 1958, that 'it was their function to undertake advisory work of getting capital for engineers to go into business'.¹²¹ While the engineers may have achieved a good deal, Irish society had to itself undergo a psychological change to show itself that it was capable of competing with its competitors abroad. For Andrews, who was appointed chairman of CIE in September 1958, the problem was in convincing both industrialists and public servants that this could be done. He told a meeting of Tuairim in 1960:

we will beg, borrow or buy advice and information from any country, if it is to our advantage, but in the heel of the hunt we must rely on our own strong right arm and our native abilities which are quite strong. Our watchword for CIE, as indeed for all our national efforts, must be confidence. again confidence, always confidence. We must have absolute self assurance. That self assurance is the key to our future success and progress. It seems to me that our people have an extraordinarily high measure of ability but we frequently lack the audacity to rely on our judgements and act upon them.¹²²

This lack of self confidence was something that Whitaker was implicitly trying to bring to the fore within the pages of Economic Development. As Patrick Lynch maintains: 'if Economic Development did nothing else it at least gave people in the country a belief that something was about to be done about the pretty dire economic situation'.¹²³ Yet Economic Development did not impinge on the consciousness of the body politic immediately. The major newspapers gave it only cursory treatment while the political parties showed a similar lack of interest. The Fianna Fail parliamentary party minutes of the period are fascinating for their discussion, or rather lack of it, of Economic Development. In its first discussion of the document it was recorded that 'the Party be given a directive on the implications of the recent White Paper on Economic Expansion'. Ryan gave this meeting, at which Lemass was not present, a general resume of the contents of the paper which was then followed by the rather bizarre spectacle of a discussion 'in which arterial drainage and of certain very necessary drainage schemes was stressed by several members'.¹²⁴ A planned session devoted to the White Paper on 6 January was deferred to 28 January, when Lemass 'explained that the proposals in the White Paper were to be regarded as an outline of minimum requirements for the future and do not exclude further proposals'.¹²⁵ The agricultural effects of Economic Development were not discussed until March. While this seems to have occupied the party somewhat more

as the debate ran into April, the minutes of these discussions are even more sparse than usual although they state that the debate continued with contributions from various deputies.¹²⁶ It would appear that few politicians, whether in Fianna Fail, as the evidence suggests, or elsewhere were greatly struck by the attempt to revolutionize national economic policy making.

A new consensus

Notwithstanding the fact that the political parties were having trouble rousing themselves over economic issues at the national level, there is evidence of an emerging consensus on economic policy by 1958. Garret FitzGerald, writing the same year, noted that Economic Development emerged from a crisis of national self confidence which was provoked by the economic difficulties of 1956-57. He added:

it seems scarcely probable that the authors whether politicians, civil servants, businessmen or economists would have felt able, or, in other cases, have been given the opportunity to put forward such radical reappraisals of traditional national policies, had this psychological crisis not taken place.¹²⁷

This reinforces Whitaker's view that the years 1955-56 had plumbed the depths of hopelessness with the balance of payments crises overcome only at the cost of stagnation, high unemployment and emigration.¹²⁸ In such a situation a broad consensus of interested parties was needed in order to facilitate a new departure in economic policy which would transcend party politics. As FitzGerald comments, if the First Programme for Economic Expansion had been launched without reference to the document on which it was based, Economic Development, there was a danger that it might not have received the bipartisan treatment that was necessary if it was to provide an agreed basis for the development of the Irish economy.¹²⁹

Economic Development, completed in May 1958, became the basis for the White Paper published on 12 November 1958. The fact that Economic Development itself was published on 22 November is significant. By publishing it after the publication of the Programme itself, the government made it clear that the Programme was not, and was not claimed to be, a policy prepared by Fianna Fail. Rather it was a national policy programme prepared by the head of the civil service. This had the desired effect, and the Programme was accepted as a type of national plan. Its most critical feature was its premise to shift from protection towards free trade and from discouragement to encouragement of foreign investment in Ireland. This, as Lee points out, involved a dramatic reversal of the rhetoric, and to a large extent of the practice of all policy, but especially Fianna Fail policy, since 1932.¹³⁰ Whitaker argued that the government should encourage industries which would be competitive in world markets and provide a continuing source of employment at home:

we can no longer rely for industrial development on extensive tariff and quota protection. Foreign industrialists will bring skills and techniques we need, and continuous and widespread publicity abroad is essential to attract them. If foreign industrial investment does not rapidly increase, a more radical removal of statutory restrictions on such investments should take place.¹³¹

The main theme of both documents, as David O'Mahony pointed out at the time, was that 'an increase in investment and an expansion in demand - coming from agriculture - will set in motion a general expansion in the national product'.¹³² In companion with this was the aim of attracting foreign industry. Whitaker outlined two ways to attract foreign corporations: removing restrictions and giving incentives for foreign firms to establish bases in Ireland. The Control of Manufactures Acts were amended and a series of proposals intended to attract outside investors to Ireland were

recommended. He proposed that the IDA should expand its staff, particularly in North America, in an intensification of its efforts to attract foreign capital. He further proposed increasing the capital available for outright industrial grants. This was a point echoed by Todd Andrews:

I cannot see any quick way, or indeed any way of providing these 20,000 jobs out of our own resources; the capital must be brought in from outside. ... I do not think that we have enough trained people technically and commercially to enable us to spend £100 million per annum. We must try to induce established industries to set themselves up in the country.¹³³

Andrews had in mind such novel proposals as setting up casinos in the country. He was particularly worried about the poor state of Irish tourism and claimed that only one new hotel had been founded since the foundation of the state. Moreover some commentators were insisting that

the need to maintain some margin of tax advantage over more developed countries in north-western Europe seems evident, if we are to attract foreign investment and foreign enterprise, for even if it can be argued with some reason that the level of taxation may not, perhaps have such a significant effect upon domestic investment as is sometimes suggested, it is clearly of paramount importance where foreign investors are concerned.¹³⁴

An essential element in this new approach to economic policy was a redressing of the balance between economic and social investment in the public capital programme.¹³⁵ This programme would gain support from a rising level of domestic savings, based on steady growth in real national income, and domestic savings could be supplemented by reasonable recourse to foreign borrowing to promote productive home investment. Thus a decision was taken to accelerate Ireland's economic progress through an inflow of external capital directed to types of development which would

increase the country's productive capacity and which would bring with it new techniques and methods. Economic policy thus became more expansionary, an appropriate Keynesian response according to Whitaker, at a time when Irish costs were competitive and world trade was buoyant.¹³⁶

While there were some significant differences between Economic Development and the Programme for Economic Expansion, which arose out of their different parentage, such differences were for the most part cosmetic as the main thrust of both documents was the same. Where Whitaker had argued for intensive cattle production as the foundation of agricultural prosperity, the White Paper did not want to abandon completely Fianna Fail's traditional preference for tillage. Whitaker's proposal to locate new factories in large urban centres was omitted from the White Paper owing to Fianna Fail's policy of decentralisation of industry, despite Lemass's own doubts about his party's line. While the political document did advance a firm commitment to a 2 per cent annual growth in Gross National Product over each of the ensuing five years, Economic Development was, in time honoured civil service fashion, suitably vague about targets. Yet on the whole the two documents were remarkably similar.¹³⁷

Originally, indigenous Irish industry split over the new incentives to industry that had begun with the inter-party government and had been continued in 1957 by Fianna Fail. Just after the general election the FIM held their annual conference and their president proclaimed: 'the Irish industrialist is disappointed that he finds himself no nearer to expanding his export business whilst the newcomer, either from within or

without the country, can now enter the field with financial benefits and taxation remissions which are denied to the pioneer'.¹³⁸ *Irish Industry*, the journal of the FIM and an ardent advocate of nationally owned industry, put the case for local industry when it wrote:

Today our Irish government is favouring the foreign investor more than ever before. Huge free grants of the Irish people's money are being given to those coming in here to establish industries, a good portion of such free grants being from moneys received in taxation from Irish manufacturers.¹³⁹

This, however, was not a unanimous view.

Finance versus Industry and Commerce: Opposing views

The main impetus to change the way manufacturing industry conducted itself came from the Department of Finance. The formation of the EEC in 1957 and the reaction of non OECD members to it was one of the major factors which gave rise to Economic Development.¹⁴⁰ After the publication of Economic Development and the First Programme for Economic Expansion, Whitaker went on the offensive against protection and its supporters within the civil service. In December 1959 he issued a memorandum entitled 'Reasons for Reducing Protection'. Its first line came straight to the point, declaring: 'The inadequacy of a policy of protection as a remedy for the problems of unemployment and emigration has become obvious in recent years with the increasing saturation of the limited home market'.¹⁴¹ The average number engaged in manufacturing industry had increased by only 2,000 between 1951 and 1958. Finance thus argued that it was only through enlarging its sales on export markets that Irish industry could in future provide jobs in increasing numbers for those who sought a livelihood in Ireland. For this to happen a steady increase in

exports would be needed to support greater internal activity and the higher expenditure on imports which would have to coincide with a general improvement in employment and living standards. It was recognised by all sides that external purchasers would not turn increasingly towards Irish products unless these products were fully competitive in price and quality. By the end of the 1950s only a few Irish industrial products would have passed this test.¹⁴² By contrast most of the other countries of Western Europe already had large and efficient industrial sectors. Furthermore between 1949 and 1958 the volume of Irish industrial production went up by only 23 per cent whereas in OEEC countries taken as a whole the increase was 73 per cent.¹⁴³ Thus to Finance it was obvious that the country could not hope to share in the economic advance of Europe if it were merely to try to safeguard the industrial status quo. They argued, therefore, for a determined drive to increase efficiency and lower unit costs to enlarge sales in export markets against what was growing competition. The non-competitiveness of many Irish industries was related to the smallness of the home market, the inadequate utilisation of productive capacity and the lack of opportunities for economies of scale and specialisation. The only remedy to these deficiencies was to bring about an expansion of effective demand for the products of Irish industry. Finance saw two ways in which this could be achieved: firstly by attracting external purchasers through the offer of high quality goods at competitive prices and secondly by raising real incomes and purchasing power in the non-industrial sector of the economy as was the aim of policy in relation to agricultural exports and tourism. In essence progress under the first option depended on raising productivity. This, however, would be greatly increased by success under the second. The need for urgent action to bring down the cost and improve the quality

of Irish manufactures was made all the greater by the emergence of two distinct trading blocs in Europe. Competition in export markets would undoubtedly grow as the major countries of Europe, through tariff reductions and freer trade, achieved greater specialisation, higher output and lower costs. Ultimately the high protective tariffs associated with Irish industry reinforced the non-competitiveness of Irish manufactures. In the case of the vast bulk of protected industries, exports formed only a small proportion of output:

the scale of protection is such that in many industries there is no effective competition at present. There are over 400 protective tariff references and of these over 100 provide for tariffs of more than 50 per cent ad valorem (full) or 33 1/3 per cent (preferential). A gradually increasing element of competition on the home market would be a much more general and effective spur to improvements in efficiency than special aids and incentives to which only the progressive undertakings will respond. As long as high protection is maintained there will be no compulsion to get into shape for export markets. Sheltered against the normal consequences of inertia, unprogressive managements can use the high protection they enjoy to make inefficiency profitable.¹⁴⁴

The aim of Finance was gradually to lower protection in the context of an agricultural exports arrangement which would increase purchasing power on the home market. Tariffs, Whitaker claimed, were justifiable economically only as a temporary help for 'infant industries', while he maintained that a growing number of countries were formally recognising, by their participation in common markets and free trade areas, the mutual benefits to be derived from freer trade.

The FII had recognised that fundamental changes in Irish economic policies were necessary and imminent and would involve progressive reduction of protection for Irish industries, leading eventually to free trade conditions. Its National Council

issued a pamphlet entitled 'European Free Trade and the Prospects for Irish Industry' in which it argued that Irish industry was sufficiently strong and adaptable enough to meet the situation and could develop and prosper 'provided that action is taken in time by individual firms and by industries and that the co-operation and assistance of the government was forthcoming'.¹⁴⁵ While the FII appeared confident, there was no guarantee that individual firms would make the effort required to make a success of free trade. This document represented a sea change in the attitude of the FII to protectionism. Up to the late 1950s the FII were ardent supporters of protectionism, yet now they realised that new trading conditions meant new attitudes would have to be adopted. This new attitude in the FII was crystallised by the coming to power in the organisation of a younger breed of industrialists who believed that Irish industry could survive and flourish without protectionism if they were given the vigorous support of government. Charles Murray maintains that the country was fortunate that the leadership of the FII was changing around the time that Finance were contemplating abandoning protectionism and entering a European trading bloc. He claims that it would not be unfair to say that the FII were completely negative up to that stage in their perceptions of free trade.¹⁴⁶ Whitaker argued that with the support of the FII, state aid in the transitional period when the 'sheltering screen' of protection was being gradually lowered could take the form of loan capital on reasonable terms, technical assistance grants and other such incentives. This would be made available to assist in the process of adaptation and modernisation of industry. Ultimately Finance wanted to be associated with some form of economic trading group which would enable the country to share more certainly in the economic advance of countries more favoured than Ireland's:

a closer degree of association with the international economy, through reduced protection and participation in a free trade arrangement, would help to compensate for the narrowness of the domestic market, more especially if it also promised a surer and better market for agricultural exports. It is only by gearing ourselves for a growing trade with the rest of the world that we can tackle, with real prospect of success, the problems of unemployment and emigration.¹⁴⁷

Whitaker's memorandum sent a shock wave through some sections of the civil service with Industry and Commerce particularly aghast. J.C.B. MacCarthy, its secretary, replied tersely that he could not accept the views set out in the memorandum as anything other than a somewhat idealistic approach which was not backed by anything more than faith in the operation of the economic laws that were expounded, namely free trade:

the harsh realities of the situation are that we have our industries, with many thousands of people employed in them, and we cannot really afford to use them as guinea-pigs. You say protectionism is only for 'infant' industries but ours are not yet out of their teens and still need a measure of paternalism. It is well to remember that if the war years and their immediate aftermath are excluded, as they ought to be, our industries have not had much more than a decade of protection. Even the adult industries of the great industrial nations need and get protection.¹⁴⁸

In essence Industry and Commerce were warning about the dangers of Irish industries being involuntarily led from Whitaker's advocacy of the discipline of tariff reductions to advocacy of complete free trade. MacCarthy claimed that this might be an easy transition to make in the abstract but would be an entirely different thing in practice. He did concede that industries could be subjected to well thought out, prudent cuts in protection as an incentive to efficiency but these would have to be made very carefully and 'on a basis that would not leave us without the power speedily to reverse engines as and when experience dictated'. He finished his reply by saying that

he hoped Whitaker would have a chance of 'tempering economic theory to the facts of our industrial life' before they next met, while adding that he hoped that Whitaker's memorandum was intended to be provocative rather than doctrinaire.¹⁴⁹

Whitaker was enraged. He accused MacCarthy of forcing him to accept either one of two denigratory epithets, provocative or doctrinaire. He claimed that his original document contained the essence of realism and was not, as MacCarthy had insinuated, an advocacy of complete free trade. Whitaker's paper basically advocated a progressive discipline of tariff reductions with the right to arrest the process where any major industry came under dangerous stress. Clearly stung by MacCarthy's riposte, he responded with his own denigratory epithet:

We both of us know people who are more Catholic than the Pope; should Industry and Commerce not guard against becoming more protectionist than the Federation of Irish Industries. ... I am personally convinced that the issue is not one of economic theory but one that bears directly on our hopes of future economic development'.¹⁵⁰

The FII had always been the most protectionist of organisations and by comparing Industry and Commerce to them Whitaker was undoubtedly giving the impression that Industry and Commerce was some sort of administrative dinosaur harking for a bygone age. MacCarthy swiftly responded. In what can be seen as perhaps a softening of the hard edged tone that had been adopted by both men, he addressed 'Dear Ken', instead of the customary 'Dear Whitaker'. Whether this was because it was Christmas Eve is not clear, because there can be little doubt that Whitaker's jibe about the FII had annoyed MacCarthy. He asserted that it was his duty to point out the pitfalls that lay ahead in free trade conditions for industry and said that there was a tendency to

underestimate these risks, whilst adding:

I am sure that you would not wish to be unfair in any comment but I do think that the third paragraph of your letter of the 23rd December hits a little below the belt. After all, it is the Government and not the Federation of Irish Industries that has to take the decision.

While this may indeed have been true, MacCarthy went on to reiterate the old Industry and Commerce position that protectionism had served Ireland well. Ultimately their debate came down to the future direction of the Irish economy. Where Whitaker stressed the point that industrialisation, under protection, had not solved the unemployment problem and that the continuation of the policy of industrialisation under protection would not provide the expansion the country required, MacCarthy preferred to take the view that

as far as employment is concerned, if we had not had the protective policy and, even if it is not a cure for all our ills, is it logical to toss it overboard, unless it is clear that something better can be substituted which will not only maintain employment at the existing level but give the scope for expansion which is desired? All I am seeking is to get the alternatives clearly stated so that a considered choice can be recommended.¹⁵¹

There was nothing in MacCarthy's remarks that could give any solace to the thousands who had emigrated throughout the decade and those left without jobs as it closed. Protectionism had clearly failed them. Yet MacCarthy was insisting that it remain. His pessimism can be contrasted with the optimism of someone like Todd Andrews, who was asking the country to leave the dark days of the past behind it and begin afresh. As he told one audience:

I ask you to disabuse your minds of the pessimism so terribly expressed by Patrick Kavanagh: "It will never be spring always autumn, after a harvest always lost, When Drake was winning seas for England, we sailed in puddles of the past, seeking the ghost of Brendan's mast".¹⁵²

Whitaker, however, was not seeking the complete abandonment of protection. For him the problem was that protected manufacture for the home market offered little prospect of increased employment, and in a highly competitive world, continued protection could not guarantee the maintenance of existing employment at acceptable real wages. Thus if employment opportunities were to be created for the fresh thousands who sought work every year, industry had quickly to become more efficient so that its products could be sold on an increasing scale in export markets. This could be achieved by accepting an external commitment to reducing tariffs, accompanied by appropriate industrial incentives and aids towards industrial adaptation and modernisation.

Whitaker advanced these arguments to MacCarthy in his reply, but also attempted to launch a new line of attack. The Christmas spirit had not quelled his sharp instincts. He declared that it was over a decade since Industry and Commerce had felt it necessary to seek to establish the Industrial Efficiency Bureau to 'force the pace of progress in industrial efficiency'. While this legislation had not been proceeded with, responsibility for making periodic reviews of existing tariffs was subsequently imposed on the IDA. Whitaker argued that these reviews had been infrequent with very few tariffs being reduced:

There can be no doubt that an externally-applied discipline, provided it is not too severe, will arouse less opposition, appear less discriminatory, and be more effective than a system operated entirely at the discretion of the domestic administration. The best way to get costs down to competitive levels is to face industrialists with the certainty that tariffs are going to be lowered. In their present mood and in an external trade relationship, I believe they will accept this pressure and react favourably to it.¹⁵³

While this may indeed have been true, the reference to the IDA was bound to upset MacCarthy. Whitaker has been described as an individual who was not easily offended, yet he did tend to get 'very crusty' about people criticising the whole impetus of free trade.¹⁵⁴ MacCarthy, like Lemass originally, had opposed the setting up of the IDA and had always held a suspicion that the IDA were in some way trying to preempt the work of Industry and Commerce. In any event he did not take kindly to Whitaker's remark. Declaring that he could **never** agree that the introduction of an externally-applied discipline of tariff reductions would be sufficient justification in itself for entering a free trade association, he took Whitaker to task for arguing that there was a possibility of the country being left 'stranded on a high and narrow protectionist plateau on which acceptable living standards could be provided only temporarily and for a diminishing number of our people'.¹⁵⁵

It is at least equally important ... that we should not so minimise the risks of 'Free Trade' as to obscure the possibility that the plateau or whatever replaces it would be occupied by a diminished number of our people even though their living standards, because there were fewer of them, might be enhanced. We must remember that ... increased emigration would, in our circumstances, be an almost inevitable consequence of reduction of industrial employment.¹⁵⁶

Whitaker's comment was in a letter to Con Cremin secretary of External Affairs which was seconded to Industry and Commerce, Agriculture and the Taoiseach's office. The Whitaker to MacCarthy correspondence were also seconded to the other main departments and would in fact have been seen by Lemass.¹⁵⁷ Cremin had responded to Whitaker's original memorandum in a positive mode but did have some significant objections. Yet it is noteworthy that he could validate criticisms of Whitaker's document without starting a major administrative row as was the case with the MacCarthy - Whitaker correspondence. Cremin was particularly worried about

the possibility of a setback in industrial production as a result of the reduction of protection and a consequential outflow of redundant manpower. He did, however, maintain that

a good case appears to be made for modifying our protection policy and for bringing to bear an international commitment. It is a question, however, whether there is not a tendency to discount, on the basis of abstract reasoning which may not be entirely applicable in practice, the possible adverse effects of the removal of protection. It could be contended that, in the economic field, the circumstances prevailing are in some ways so unusual as to weaken, or at least introduce serious qualifications to, otherwise sound theoretical conclusions even when they can be supported by evidence elsewhere.¹⁵⁸

Whitaker responded to Cremin's comments by stating that he did not think that

the force of our reasoning is lessened by describing it as "abstract" or by referring to our conclusions as "theoretical". I have yet to see any convincing argument, on practical or theoretical grounds, for the opposite thesis, i.e. that the maintenance of a policy of high protection will raise employment and living standards and reduce emigration.¹⁵⁹

Commenting on Cremin's reservations of a set back in industrial production and employment, Whitaker contended:

You give no grounds for making such an extreme assumption. Even if it were true - and I do not think it is - would it be an argument for being satisfied with the status quo? I have given ... what I regard as sound reasons for the view that continuance of a high protection policy offers no prospect of increased industrial output and employment; rather does it promise a virtually uncurbed flow of emigration. ... I strongly suggest that we can be over - timid about the scaling down of protection having regard to the urgent and vital need to increase our competitiveness in the export field. ... I have made my points rather vigorously in this note but I am sure that you will not mind since our joint aim is to reach the right conclusion and this can best be achieved by the cut and thrust of argument.¹⁶⁰

While it was between Whitaker and MacCarthy that the cut and thrust of debate about protectionism was at its fiercest, Cremin's involvement can be seen as descending from the days when Frederick Boland was intimately involved with Marshall aid.

Cremin also played an active role in the government's application to join the EEC in 1961.

MacCarthy's response to the original memorandum did not impress Whitaker. Whitaker had three points that he wanted MacCarthy to address if, as MacCarthy kept implying, there were no worthwhile prospects for the expansion of industrial exports to a European free trading area. He pressed MacCarthy as to whether his pessimism was due to the non-competitive character of most of Irish industrial production; how it was proposed to overcome this, if the discipline of gradual tariff reduction was not applied; and what grounds were there for expecting even that existing industrial output and employment could be maintained, never mind expanded, unless industry was somehow made to become more efficient in the near future. Whitaker clearly had no intention of giving up his attempts of swaying MacCarthy to a free trade position: 'despite your rather forbidding reiteration of "I could never agree", I have not abandoned the hope of persuading you to see matters from a dynamic rather than a static viewpoint'.¹⁶¹ MacCarthy, however, was not in the business of seeing things from a dynamic viewpoint. Industry and Commerce under his leadership had by the late 1950s become a 'department of disillusionment, without any backbone and not intellectually well endowed'. A former official of the department has described the correspondence between Whitaker and MacCarthy in the following terms:

Industry and Commerce did not have any faith in what they were doing anyway. They were only going through the motions of putting up this resistance but it was easier for them to do that. MacCarthy had lost faith in the protectionist mindset. He was a very able man ... yet he would go with the tide. He adopted the institutional position in that correspondence defending the traditional departmental view. ... The problem with Industry and Commerce was that the start of everything was a view expressed by the Minister.¹⁶²

The power exercised by Lemass in cabinet would seem to have had a detrimental influence on his officials in Industry and Commerce in that they did not really have to do any independent thinking. All the people interviewed during the course of this research have put on record the view that Lemass was an extremely able, powerful politician who was undoubtedly master of his officials. This mastery, however, made his officials in some way a lacklustre group in comparison to the other senior departments, most notably Finance. In any case MacCarthy replied in kind to Whitaker, claiming that it grieved him

to note that our correspondence seems to have done little to bring this discussion down to earth. The view expressed in your letter that our industries would gain more from expanded exports than they would lose in the home market, and that there is no need to fuss about getting an adequate quid pro quo for joining either EFTA or Britain in a free trade association is so far removed from our viewpoint that ... there is no point in continuing this correspondence.¹⁶³

The implication that Whitaker was talking economic theory rather than economic practicalities at the nadir of the correspondence was undoubtedly calculated to leave MacCarthy holding the moral high ground. He, being the defender of traditional Irish industries, was not going to feed them to the wolves of free trade orthodoxy, while Whitaker was the shepherd who would abandon his flock to such economic precepts. Whitaker did have the final word, arguing that MacCarthy's response could not be accepted as being a 'fair or reasonable summary of the views expressed in my previous letters'.¹⁶⁴ This rather anodyne response did not disguise Whitaker's anger at having failed to move Industry and Commerce towards a free trade perspective. He resolved to try again and within two years had succeeded in bringing Industry and Commerce in from the protectionist cold. Tadhg O'Cearbhaill has maintained that

Industry and Commerce

would have felt an obligation to a lot of those people who had set up Irish industry and did so on encouragement and word of Industry and Commerce and also because they got protection. I don't think there's any question that they were obstructing the advent of free trade, but they definitely felt an obligation to those already in industry. Thus they argued their views strongly. During the free trade negotiations, I was secretary of the committee of four secretaries and you talk about strong views, well whatever you think about their views being strong in writing they were far stronger in person. ... There is no doubt about it, a lot of roaring and shouting went on when protectionism was discussed.¹⁶⁵

Bringing Industry and Commerce on board

By November 1962 a proposal to initiate a unilateral 10 per cent tariff cut in protective industrial duties was supported by Industry and Commerce on the grounds that it 'would serve as a spur to industry to hasten plans for adaptation and reorganisation and would constitute in the eyes of the EEC an earnest sign of our good faith'.¹⁶⁶ The previous two years had seen Lemass exert 'substantial pressure' on his former department to embrace the orthodoxies of free trade. Lemass held strong views. While he was willing to listen to opposing viewpoints, as in the case of Industry and Commerce and Finance, he had decided that free trade was the only way to secure the economic future of the country. It was Lemass, the progenitor of protectionism, whose leadership as Taoiseach may well have inspired Industry and Commerce to change its tune. Tadhg O'Cearbhaill maintains that when Lemass became Taoiseach he made strenuous moves to bring Industry and Commerce into line with what had become his own viewpoint on the free trade question and entrance of a European trading bloc.¹⁶⁷ He told a correspondent in July 1959:

It is of course true that the Irish economy at its present state of development is not producing enough resources to maintain all our

population at the standard of living we desire them to enjoy. The fundamental task facing this country is to expand its total production so that this situation will be brought quickly to an end. This cannot be done, however, by just wishing for it but by sustained hard work in support of an intelligent development programme. The Programme for Economic Expansion provides one element and we are now trying to generate the other.¹⁶⁸

This second element was to enter a free trading body in an attempt to develop Irish industry and subsequently Irish exports. It went hand in hand with bringing new industry to Ireland. The protectionists of Industry and Commerce still made their protests known to the government and continued to advance caution in negotiations with the EEC. At a meeting of secretaries in April 1961, MacCarthy maintained that although 'he did not wish to make an issue of the conflicting departmental viewpoints, ... he was anxious that the delegation to the G.A.T.T. would not be put into the position of having to enter into tariff negotiations'.¹⁶⁹ He was willing that tariff negotiations be settled within the context of the EEC but was insistent that no other economic body should be attempting to get the government to reduce tariffs. MacCarthy was appointed chairman of the CIO and it was from this position that he finally agreed on the necessity to bring down tariffs and readapt industry to free trade conditions.¹⁷⁰ Whitaker wrote to MacCarthy in July 1962 advocating a unilateral all round tariff cut of between 10 and 15 per cent on 1 January 1963:

this suggestion deserves serious consideration on a number of grounds. The most important is the need to maintain a psychological impetus towards rapid adjustment to EEC conditions during the period of uncertainty - which on present indications may be longer than we thought - about the entry of Britain and ourselves to the EEC. We have got the preparatory work going well on the industrial side. A whole series of reports on industrial surveys will be appearing over the coming months. There will, however, be a psychological barrier - however illogical this may be - to the undertaking of effective follow-up action so long as uncertainty persists not merely about the terms of accession of Ireland but even on the question of Ireland's accession to

the Community.¹⁷¹

Whether Ireland was admitted to the EEC or not, greater industrial efficiency would be necessary. Indeed this was even more urgent and necessary if Irish exports would have to face additional competition from Europe without the offsetting advantages of membership of the EEC. For Whitaker, Ireland could not lose by such a reduction as they would have to get down to nil in the EEC context by 1970 and any immediate reduction would be a step in the right direction: 'procrastination in making tariff reductions merely steps up the rate of reduction to which we will have to submit on joining the Community'.¹⁷² Even more important perhaps was the consideration that such a step would show the EEC the desire of the Irish government to adapt to EEC conditions and could only be advantageous in the ongoing negotiations. Moreover the other applicants as members of EFTA had scaled down protection as had the existing members of the community. As all these would be Ireland's competitors there did not really seem to be any alternative to EEC entry. MacCarthy while agreeing with the general thrust of Whitaker's remarks maintained that 'we should make every effort to ensure that full credit will be given to us against the rhythm of tariff reductions for any prior reductions'.¹⁷³ While the evidence is somewhat inferential the position of Lemass was crucial to the conversion of MacCarthy from archetypal protector of native Irish industry to the cautious supporter of free trade. There is an inconsistency between the dynamic Lemass grasping the nettle of free trade as Taoiseach and that of his old department providing the main opposition to the somewhat inevitable outcome of membership of a European trading bloc. MacCarthy's role has been much neglected by historians and he plays little or no part in any of the important studies of the period. Yet his role as Secretary was hugely significant. He had entered the

civil service at Finance in 1927, but had served in Industry and Commerce since 1945 and had continued that department's orthodoxy in terms of protection when he succeeded John Leydon as Secretary in 1956. Moreover most of the thinking in Industry and Commerce came from the top down. Thus with Lemass's exit it was vital that the department be infused with political strength. In this context Lemass's appointment of Jack Lynch to succeed him as Minister of Industry and Commerce was an important one. Appointed Minister at the Department of the Gaeltacht by de Valera in 1957, Lynch was seen as progressive on economic issues. He also had had dealings with Lemass when he was responsible for the running of the Underdeveloped Areas Act in 1951 as Parliamentary Secretary to the Government and to the Minister for Lands. He had evidently impressed Lemass and on his appointment was told by the Taoiseach that Industry and Commerce was now his responsibility. While Lemass would be captain of the ship, Lynch had assumed the position of trusted lieutenant. Thus Lynch to an extent took on the mantle of guiding Industry and Commerce away from a policy of protection, a policy which had been ingrained in its philosophy for a generation. In essence though it was Lemass who was the key figure in getting MacCarthy to accept the inevitability of tariff cuts.¹⁷⁴ Once he, along with Lynch, had politically sided with the free trade position, MacCarthy was left in an administrative limbo. When Lemass was Minister for Industry and Commerce and explicitly supported the policy of protection it was easy for MacCarthy to support him from within the administrative framework. With Lemass as Taoiseach now attempting to get Ireland into a European trading bloc and supported eagerly by his own handpicked Minister for Industry and Commerce, MacCarthy was persuaded of the necessity of free trade and tariff cuts. He had come a long way since 1959.

While Industry and Commerce had in principle come to accept free trade there were still some deliberation on what form the unilateral cut should take. They maintained that if a reduction, 'which is strongly supported by this Department', was to take place, it should exempt some products. MacCarthy also recommended that the cut should be at some later undecided date as 'we still have no information as to what will be decided for this country to be the base date, i.e, the date at which the tariffs operating will be taken as the tariffs to which the agreed rhythm of reductions will be applied'.¹⁷⁵ Implicit in this comment were the old differences between Industry and Commerce and Finance. The former were reactors to events, inherently cautious and in many ways reluctant to leave protectionism fully behind them, and were willing to adopt a wait and see approach. Finance, however, had changed immeasurably from the days of McElligott when it was they who were the cautious deflationists. They were now willing to intervene in the economy to gain results. Whitaker's department had taken the lead on the EEC question and were constantly proposing ideas on which approach the government should take. Ultimately Industry and Commerce proposed that the tariff cut come into operation some time in 1963. They had to some extent fallen in line with the Finance view. They were, however, very much now playing second fiddle to the policy activists of Finance. In November 1962 it was announced that 'in anticipation of our entry to the EEC, the Government has decided to make a unilateral reduction of 10% in protective duties on industrial products on 1 January next'.¹⁷⁶ This was described in the official announcements as an initial step in an elimination of protection, and thus it could be taken that there would be further reductions at appropriate times in the future whether Ireland joined the EEC or not.

With this statement the Irish body politic had launched the way for an export-led industrialisation policy which was to dominate industrial and economic policy in the 1960s. Economic Development and the First Programme for Economic Expansion had both been extremely conscious of the changing nature of economic relations in the late 1950s. While neither declared an explicit aim of entering a free trade bloc, the initial steps to that outcome had been put in place. The formation of the EEC and EFTA would create two important trading blocs and could offer economic opportunity or pose new threats.

While the government was not directly looking to Europe with the publication of Economic Development, there can be little doubt that it set in train the decision to apply and the further decision to reduce tariffs within that context. The 1950s had ended with Irish industrial development policy in a state of confusion. At an administrative level, Finance were leading the way, arguing for substantial changes in the protected sector. Supported by External Affairs, Agriculture and the IDA, they were determined to bring Ireland into a European trading bloc and thereby to expand the country's economic frontiers. In this they were at first opposed with intransigent hostility by Industry and Commerce, but there was a wind of change blowing within Irish industry itself, which under a new leadership was to play an important role in getting the department to face up to the challenges of free trade. Ultimately Industry and Commerce was playing a losing game. Changes in the Control of Manufactures Acts and new incentives to induce foreign industry to locate in Ireland were evidence of how the Finance viewpoint was slowly winning the day. By 1963, however reluctantly, Industry and Commerce were willing to take on the joint responsibility

of developing Irish industry within a free trade context.

Chapter Three

The evolution of trade union influence in the economic policy process

1948-1964

Economic trends in Ireland and Western Europe

In analysing the role of the trade unions in this period, it is important to look at the economic sphere in which they were operating and how this compared to other western European states. Protectionism which been continued after the war was reinforced during the 1950s. The crisis in the Irish economy in the 1950s lay not so much within industry as within agriculture. However, due to the importance of agriculture for the economy as a whole, the crisis affected industry to much the same degree. Industrial employment continued to increase, though at a slower rate than before. Unlike the 1930s, however, it proved impossible for protected industry to provide enough employment for those leaving the land and for those entering the labour market for the first time. One consequence of this was the accelerating emigration which was a feature of the decade.

Table 2
Population of Ireland

1946	2,955,107
1951	2,960,593
1956	2,898,264
1961	2,818,341

Table 3
Estimated net emigration from Ireland

1946-51	119,568
1951-56	196,763
1956-61	212,003
1961-66	80,605

[Source: Census population of Ireland, 1966, vol.1,].

Moreover, Irish wage rates, which had historically remained quite close to those prevailing in Britain, fell far behind in this period. By 1960 the average British worker earned at least forty per cent more than his Irish counterpart.¹ This income gap served as a strong incentive for skilled workers to emigrate even when not threatened by unemployment. Between 1951 and 1958, Gross Domestic Product rose by less than one per cent per year. Employment fell by 12 per cent, and the unemployment rate rose. Irish Gross Domestic Product/capita fell from 75 per cent to 60 per cent of the western European average. Yet during the 1950s real product per capita grew at 2.2 per cent per year and industrial output expanded at 2.8 per cent yearly, while output per farmer grew at a respectable 3.4 per cent. Noting these figures, Haughton maintains that ranking the 1950s as a period of failure and stagnation is but a 'half-truth'.² He thus maintains that Ireland's performance is only disappointing when compared to the standards of neighbouring countries and not in historical terms. Yet placed in a comparative perspective, Ireland after 1945 failed to maximise its opportunities in the expanding European economy and consequently did not share in the affluence that accompanied it. It was during the 1950s that Ireland went into relative decline against similar states in Western Europe. In most

states the process of post-war recovery was characterised by intensive industrialisation, the development of a strong export potential (often in manufacturing) and the acceptance of a broadly multilateral and free trade environment expressed through the recognition of GATT rules.³ Ireland clearly did not share in this experience, mainly because it made little attempt to. Economic policy making continued to be restrictive, agriculture remained in a hegemonic position and Ireland was still on Europe's periphery in a political sense. Unlike other European states Ireland did not achieve self-sustained growth in the course of the 1950s. Serious balance of payments problems plagued policy makers during the first half of the decade, followed by recession and then a depression in 1957.⁴ This was in contrast to the rest of Western Europe. For trade unionists a further contrast may be made. In Sweden, for example, in the 1950s the government's macroeconomic programme was designed by Rudolf Meidner, a trade union economist, while in Britain the Trade Union Council [TUC] had considerable influence on the Conservative government's economic policy.⁵

The trade union movement in Ireland

In Ireland, however, things were different. Trade union influence was at best indirect and depended on Fianna Fail being in office as union influence on both inter-party governments was negligible. The existence of two Congresses caused great difficulties for unions, weakening their efforts, dissipating their resources and making impossible a common front against the employer organisations, steadily growing more powerful. A divided trade union movement meant that any negotiations with the government were destined to reach an unsatisfactory conclusion for one or other of the Congresses

given the rivalry that existed between them. In practice, however, there were no serious ideological or organisational differences between the two Congresses while personal discord between the leaders had gradually disappeared by the mid 1950s.⁶ Thus by the late 1950s both Congresses realised that a common front was necessary for negotiations with both employers and government. Unity, however, was a long time in coming.

By 1948 the unions as part of the labour movement were generally supportive of protection. For them it seemed to have brought about some improvement in the industrial situation even though they did have difficulties with low pay and women's unemployment. As Donal Nevin has commented:

the principle of protectionism was overriding. There was this residue of the idea of self sufficiency, if we could produce all our own goods we would have full employment or that if we could keep out imports we would have plenty of work. There was no conception of developing a large export capacity like the big industrial companies. It was not as if anybody was talking about opening up protectionism and looking for new markets. Thus for both the union movement and the rest of the policy making arena, there was two strong feelings: the need for protection to develop employment and the assumption that if you took self-sufficiency in that way you could create new jobs.⁷

This was the thread running through union thinking on economic policy throughout this period. As actors within the policy process they did have the 'ear of the Minister for Finance', even though they were often ignored.⁸ For example before the 1952 budget both Congresses met with MacEntee but were unable to convince him that their approach to economic policy was the correct one. An area where trade unions did have some influence, however, was in pay bargaining. Pratschke maintains that the unions used their power in the post-war years moderately and were not

unreasonable in their demands for pay increases.⁹ This was not how the employers organisations saw the situation, while the unions themselves were well able to play 'hardball' in pay negotiations.¹⁰

Pay bargaining

Between 1946 and the late 1960s, pay bargaining took the form of a series of pay rounds. The first recognisable such round, apart from the initial effort to catch up immediately after the wages standstill orders were lifted, was a centralised framework agreement negotiated in 1948 under the auspices of the Labour Court chaired by R.J.P. Mortished.¹¹ The 1948 agreement, known as the 'Joint Statement of Proposals to be observed in the negotiations for the adjustment of Wages', was negotiated by the ITUC and CIU on the one hand and the FUE and its associated organisations on the other. A sum of a maximum of eleven shillings a week pay rise was hammered out as well as a statement of principles which recognised a number of inequities, including the need to compensate workers for the rise in the cost of living. This held until the end of 1950 when, despite the best efforts of the Labour Court to secure a general agreement, the FUE and the ITUC in particular could not reach a consensus:

The Court is one of the opinion that both employers and workers should give active and unprejudiced consideration to every practicable method of securing greater and more economical production so as to facilitate the raising of the general standard of living in this country.¹²

Unfortunately neither side could see a way forward within this centralised system and the settlements subsequently reached were individual ones which showed some diversity. By 1952 the idea of a national agreement gained currency again after the

unions sought wage increases following the April budget. The CIU concluded an agreement for twelve shillings and sixpence a week for men, which became the general pattern; women got substantially less, usually half. The ITUC did not participate. They entered into separate discussions on a wage agreement at the invitation of the FUE. After intense negotiations the ITUC became suspicious of the FUE's motives:

the agreement on wages is not intended to facilitate the settling of wage demands but to restrict making of wage claims and hamstringing the trade unions in their negotiations for wage increases. ITUC on the other hand, was anxious that real wages agreement should be made, the terms of which would be readily understood and which would be of practical assistance to workers and employers' organisations in forthcoming negotiations for higher wages.¹³

The ITUC were convinced that the ceiling figure of 12/6d proposed by the FUE was a 'most harmful and dangerous one' from the point of view of the trade union movement and declared that it should be rejected by all trade unions. It appealed to workers of all unions to unite and stand together in a determined effort to defend their living standards and to secure a just wage that would enable them to live in decency and comfort. Donal Nevin, then research officer of the ITUC, wrote to the General Secretary of each affiliated organisation on the national executive rejecting the provisional agreement with the FUE as

inadequate to the needs of the present situation. In particular, conditions attaching to questions of a figure for wage increases would in their opinion render an agreement largely ineffective and raise almost insuperable obstacles to the successful negotiations of wage increases which would provide adequate compensation for the rise in the cost of living.¹⁴

The FUE for their part rejected out of hand the ITUC's insistence that there should be a higher ceiling limit than 12/6d to the wage negotiations as detrimental to

economic stability, which they saw as the real objective of national wage agreements. The FUE bemoaned the difficulty of having to deal with two separate Congresses in the negotiations but said that they had still managed to put before both bodies identical proposals. While the CIU accepted the offer, the ITUC rejected it leaving the FUE to state that it 'has taken such steps and advances just as far as in its full and considered judgement is in the National Interest and must repudiate all responsibility for any element of failure which may attend its efforts'.¹⁵

The problems over wage rates between the two groups lay in their differing approach to the question of Ireland's economic difficulties in the early 1950s. For their part the ITUC claimed that demands for higher wages had always followed, not preceded, higher prices. Prices had spiralled sharply in early 1952: they were 11 per cent higher in February than they had been twelve months earlier.¹⁶ This, according to the unions, could not be attributed to wage increases, and they claimed that the effect of a round of wage increases on retail prices tended to be greatly exaggerated. The principal factor affecting internal prices was the level of world prices, which was beyond the state's control. Thus, the unions argued, a rise in wages would in no way contribute to a rise in prices. Furthermore, since there was no scarcity of goods there could not be said to be inflation in the proper sense of the word. Rising prices were not the same as inflation, which in any case had been brought about by the huge rise in the cost of imports. Ultimately for the ITUC,

wage increases in present circumstances will not have any significant effect on price levels. They cannot bring about inflation since clearly the economy requires an injection of purchasing power to counteract and offset deflationary forces at work. Unless wages are increased a more severe deflation will set in, creating further unemployment and intensifying our economic difficulties.¹⁷

Thus they advocated an increase in wages and salaries commensurate with the increase in the cost of living while avoiding any unnecessary dislocation of industry. In essence the budget of 1952 was the catalyst for the unions' wage demands. As Donal Nevin recalls: 'we had to play hardball with the employers organisations as they were not averse to playing one Congress off against another to the detriment of workers'.¹⁸

Not surprisingly the FUE took a different view of things. There was a serious fall in demand for consumer goods during 1952 which led to unemployment and short time working in a number of consumer industries. A further sharp drop in consumption would more than likely be followed by an even higher level of unemployment, bringing about further mass emigration, industrial stagnation and a fall in production and productivity. The ITUC's proposals, they felt, could not but fail to prejudice the prospect of an ultimate agreement on wage policy. The FUE saw themselves as endeavouring to formulate an attitude to wage policy which might lessen the danger of national disruption on the head of wage claims and bring about the coordination and balance in negotiations which would tend to avoid such disturbance. They foresaw problems with maintaining trade and sustaining levels of employment at a time when overhead charges were mounting in the face of a frightening fall off in trade turnover. Thus the figure of 12/6d was as far as they were willing to go. In fact John O'Brien, Director General of the FUE, stated that the national council 'has strained its judgement beyond what it considers fully prudent in the present circumstances ... To go further would be to shut our eyes to the reality of the position'.¹⁹ They saw the ITUC as damaging the national economic welfare by

indiscriminate demands for wage increases and claimed that any advancement in the negotiations to this point (the 12/6d ceiling) were on the initiatives of the employers. Inevitably the discussions broke down as the FUE would not move on the ceiling price for wage increases while the ITUC had further grievances which they wished to air after they had reached a ceiling figure suitable to them. The FUE were not going to give them the chance to raise these other matters of contention:

you seek upward revision on the figure of 12/6d and that on securing a figure acceptable to you, the redrafting of various paragraphs (containing the principles) to which you are unable to agree would not present any great difficulty ... My council would not be willing to conclude an agreement on wage policy in absence of any of the principles set out. Acceptance of such principles does on the other hand preclude insertion of a higher figure. Your proposed basis therefore for a further conference makes it clear that no advantage would come from it and it was agreed that the conference should not be prolonged beyond prospect of agreement.²⁰

The FUE and the ITUC failed to resolve their own differences in economic and wage policy, which ultimately meant that a wage round was in place which did not include a Congress which had 214,000 members and contained two of the largest three unions in the country, the Associated Transport and General Workers Union and the Workers' Union of Ireland. This agreement, known as the fourth round, did prove remarkably solid, however, and lasted until 1955 providing wage and price stability.

The fourth round came to an end in 1955 and it was in the negotiations for the fifth round that the 'real push' came.²¹ Restraint was abandoned and the unions sought not merely compensation for the rise in the cost of living but a restoration of pre-war standards. There was a great diversity in the level of increases, ranging from eleven shillings to sixteen shillings and six pence. The FUE complained about the behaviour

of both Congresses in seeking such increases regardless of the impact upon other sections of the public. The Director General, John O'Brien, referred to 'the constant and early use of the strike threat and the fact that employees did not appear to wish at the moment to have strikes'.²² The FUE were also concerned about public bodies and other organisations who made deals with the unions without consulting them first. The transgressors included the Irish Sugar Company and the ESB.²³ These varying pay increases came during the administration of the second inter-party government, as the 1954 general election consigned Lemass and Fianna Fail to the opposition benches once again.

Whatever about these fears, further pressure for a wage adjustment mounted in 1957 after the by now inevitable two year span. The two Congresses had joined together into PUTUO, at a time when the trade union movement was profoundly in need of a common centre and a united leadership, and moreover was conscious of its need in such dire economic times. After the 1955 wage agreement the trade union movement became very wary about unstructured wage agreements and was confronted with rising pressure for a further adjustment to cope with the increased cost of living in circumstances which were highly unfavourable.²⁴ The movement, aware of the need for restraint, negotiated a national settlement which restricted increases to ten shillings a week. While this arrangement settled the question of wages for the time being, the question of Europe soon began to dominate the union agenda.

The trade unions and Europe

The attitude of the trade union movement to Irish membership of any European

trading bloc was mixed. By the late 1950s union leaders were well aware of the need for greater competitiveness and productivity. The International Confederation of Free Trade Unions, to which PUTUO sent representatives, welcomed any movement that would harmonise European trading conditions:

trade barriers between the participating countries in the form of tariffs and quotas will gradually be reduced and finally abolished during the transitional twelve year period and provide member countries with a market of 250 million people. It would lead therefore to a greater degree of industrial specialisation in the countries of Western Europe. The European trades unions are convinced that such cooperation would do much to raise and harmonise living standards, to improve social conditions generally and to extirpate national rivalries provided, however, that such cooperation is established in a realistic and progressive spirit.²⁵

Trade unions throughout Europe saw the liberalisation of trade as a solution to the industrial problems of their nations and suggested ways of making any such free trade area work. They rather unrealistically claimed that the abolition of unemployment was indispensable if a free trade area was to function properly. Thus they sought changes in industrial structure and employment, a reduction of tariffs, gradual abolition of quotas and the insertion of rules in a treaty on the setting up of such a free trade area. For the trade union movement the fruits of new industrial methods could only be reaped by large economic units. Furthermore the pace of technological change required an economic policy which would be based on a wider level than that of national borders. There seems to have been a remarkable degree of acceptance of the desirability of establishing a free trade area and what differences there were seemed negotiable. At a European industrial conference in London in 1958, the French did have reservations that the area's policies could be inconsistent with those of the Common Market and that any proposed cooperation with the EEC would be illogical.

They argued that it would be better to enlarge the six to include projected members of EFTA. Frank Cousins of the British TUC, meanwhile, was emphasising the importance of retaining within participating countries 'the right to take action necessary to retain full employment', something of a holy grail for the trade union movement. Representatives of the Irish unions, employers and farmers' organisations were present at this conference and all made reference to the somewhat underdeveloped nature of the Irish economy and mentioned that Ireland would need to receive some special assistance in such an industrial area. This was a route the Irish government itself was taking in its negotiations to enter the area. The Irish case did receive some lukewarm endorsement. Ruaidhri Roberts in his report to the ITUC on the conference commented:

it should be noted that endorsement of cases made by underdeveloped countries does not represent a specific endorsement of each proposal put forward but rather an endorsement of the view that these areas should receive adequate special privileges to enable them to participate.²⁶

The attitude of the Irish trade union movement to joining a trading bloc was more circumspect. For their purposes certain major economic conditions had to be addressed. Primarily they believed that an increase in Irish exports was vital. Agricultural products still constituted three quarters of trade exports with the vast amount going to Britain. If Ireland remained outside a trading area which included Britain, this would create major obstacles in the way of maintaining exports to Britain. They furthermore argued that there did not seem to be any real prospect of increasing trade by any considerable magnitude. In an important memorandum written by Donal Nevin on the trade union movement's attitude to the free trade area, it was

recognised that the industrial sector of the country was relatively weak. Some industries suffered from inefficiency and bad management, while others were inevitable victims of a small home market. Membership of an industrial area might, it argued, remedy some of the deficiencies but for too many industries the problems arose out of geographical position, lack of resources, and the absence of traditional export markets for industrial goods.²⁷ The memorandum noted that there would be an increasing reliance on external aid in building up big export industries if the country was to make any significant advances in industrial development, while declaring that 'any uncertainty in relation to Ireland's participation in the free trade area would make it increasingly difficult to attract outside industries' notwithstanding that labour costs in Ireland were among the lowest in Europe.²⁸

Ultimately the unions saw Ireland as a small underdeveloped country which did not represent any threat to other European states. It did, however, face enormous emigration and employment problems which they anticipated would not affect Ireland's chances of associating with EFTA as the purpose of such a bloc was to improve economic conditions and living standards:

It is clear that if our economic conditions were to be worsened and our living standards jeopardised by participation, other EEC countries would take cognisance of the fact. Anything else would be markedly contrary to expressed aim of movement to create European cooperation. Ireland cannot hope or expect, nor should she desire, to remain unaffected by these developments on the continent. Our weak economy, beset as it is by acute problems, will be profoundly affected by them. Whatever our ultimate attitude towards the Free Trade Area, we must recognise the necessity for grappling with this new situation, the difficulties as well as the opportunities it presents.²⁹

Thus on the understanding that the idea of a free trade area was designed to improve

the economic position of all participating countries and that small underdeveloped countries would be afforded the opportunities of reaching a high level of economic development, the trade union movement in Ireland was, in principle, in favour of Ireland joining such an area. These remarks were prefaced by the usual union mantras of commitment to full employment and the elimination of the economic compulsion to emigrate as the unions 'endeavour to ensure that the policy adopted by our government will be in harmony with the objectives sought by the international trade union movement in supporting the principles of a free trade area in Europe'.³⁰ For the trade unions, better economic organisation had to be regarded as a means towards the end of improving social conditions, and they were insistent 'that this end not be lost sight of in the welter of economic proposals'. Laurence Hudson, President of PUTUO, reiterated this point when he declared that he believed that the attitude of alarm at the prospect of the collapse of the industrial arm of the country was not justified either by reason of the likely consequences of a free trade area or by reason of the state of the industrial sector:

by international standards - and not merely the highest American standards - we are not as inefficient as some of our defeatists would suggest. Nor for that matter are the golden opportunities that some seem to think would face our agricultural industry in the event of our joining the free trade area at all certain to be realised.³¹

Ultimately the unions were willing to enter into any trading bloc if it brought improved conditions to their members.

There were some in the union movement who were willing to put a different slant on the European issue. John Swift, General Secretary of the Irish Bakers, Confectioners and Allied Workers Amalgamated union, a noted radical once described by the police

as 'a dangerous agitator', was more responsive to the idea, although from a different angle.³² Swift thought that the response to any suggestion that Ireland join a European trading bloc was too timid, claiming that it stressed that the free trade area was still in infancy and

our knowledge of this particular infant is so meagre, the decent thing for us to do is to hold our hand lest rash moves to acclaim its birth might expose us to the risk of seeming to father or foster a spurious progeny. This is a misconception. The real progenitors of the projected body, the Free Trade Area, are the old pioneers of our own movement. That the seventeen governments of the OEEC are now working out programmes for more production, full employment and higher living standards, for the people of its countries, is proof of the influence these old pioneers have come to yield in world affairs. Our trade union and labour pioneers taught us to clamour and fight for these things. We have been clamouring so long for them we scarcely notice the portends of their coming among us.³³

Notwithstanding the flourishing rhetoric, Swift argued that the trade union movement had to serve the European ideal in honour of the line of progenitors who had seen the vision of a united Europe and sought to make a practical reality of the idea. Basically Swift was calling for the trade union movement internationally to be at the forefront of European economic unity. What was comparatively new was the realisation that the unity of the continent and its peoples could only be built on a economic basis, 'on a basis of production, distribution and exchange by people who work and who are free to live a full and cultured life'. The goals of full employment and rising living standards could, he believed, only be achieved if the trade union movement came out strongly in favour of the free trade area idea, although he qualified this by stating that any such support would be conditional on the area serving the social purposes envisaged by the OEEC. Swift was not entirely captivated by the romantic prospect of an economically united Europe which would free the downtrodden working classes.

He conceded that the process of adjusting to the area would bring serious problems of industrial change in which some industries would not be able to exist for any length of time once exposed to competition. Thus he advocated that there be a thorough examination of such industries to see how they might adjust themselves to the economic rigours of such competition. What was not in any doubt, however, was the fact that the ultimate aim of EFTA was economic integration and that the union movement should lead it.³⁴

The wider reaction to Europe

While the government continued to explore the economic consequences of joining EFTA and the unions were broadly in favour, other players in the policy game were clarifying their positions. The FUE were enthusiastic about the possibility of Ireland entering a type of common market and saw any moves to increase exports as positive. The FII were equally as eager and their annual report for 1959 suggested that the development of the industrial economy should in the future be considered in relation to three factors. Firstly there was the maintenance by existing industry of the home market, with progressive reduction in protection, and eventually without protection against foreign competition. Secondly there was the development by existing industries of export markets with the same conditions in the home market. Finally there was the development of new types of industries without the expectation of the same measures of protection in the home market as had been available previously.³⁵ J.C. Tonge, President of the FII, was of the opinion that any changes should be directed towards improving the overall industrial position, declared that the government should accept responsibility for any radical change in policy, and was

confident of the government's attitude in this connection. The insinuation here was that the government should grasp the nettle of free trade and consign the policy of protection to the dustbin of history. The FII was urging its individual member firms to make their own plans on the basis of free trade conditions in the future. Specifically this meant urgent and constant attention to productivity in all its aspects and particularly to the question of improving marketing policies and techniques and renewing efforts to find export markets:

Confidence in our own ability and energetic action now on a planned basis by all individual firms and industries with the co-operation of the Government and the trades unions and of the public generally will ensure that these changes will be changes for the better. The Federation believes that the challenge which will be presented by the new conditions is also an opportunity for great developments in industry in Ireland.³⁶

Fine Gael, back in opposition, also had strong views on EFTA and circulated a private memorandum, which turned up in trade union documents, on Ireland's prospects within any European trading bloc.³⁷ This noted that the creation of a common customs barrier would profoundly affect the whole pattern of Irish external trade. Like other commentators, however, they foresaw the transition from a highly protected industrial framework to an open one as having a considerable effect on Irish industrial production and employment. While the immediate danger to Irish industry could not be exaggerated, Fine Gael estimated that any drop in employment in one sector could be compensated by increases in others. They also claimed that, between 1954 and 1957, 25 per cent of total national income was contributed by the industrial sector; any fall off in this figure could only be detrimental to the national economy if free trade led to a significant number of industries folding. Only 187,000 or 16 per

cent of the labour force were employed in manufacturing activities and the Central Statistics Office estimated that one third of these industries would be affected by a gradual reduction in tariffs. The effects of thirty years of protection had, however, been to increase the numbers employed in manufacturing industry by less than 60,000. Furthermore this figure included industries not affected by protection, such as grain milling, baking, construction engineering, electrical construction and newspaper production. Thus the labour increases in industries manufacturing some protected goods could be put at no more than 50,000, four per cent of the working population. Fine Gael saw this as proof that the advent of free trade would certainly not lead to large scale unemployment in the country. It was, however, necessary to have a free period in which protected industries could prepare themselves to meet fair competition from abroad. It had been conclusively proved, they argued, that the way to full employment was not to be found in protection as it was becoming increasingly recognised that the small size of the Irish market had hindered Irish manufacturers from obtaining the benefits of the economies of large scale production. Expansion of productivity and employment could be obtained only if a larger market was secured. Such a market would be available in a Free Trade Area which should prove a means of expansion for many Irish industries:

The onus of proof must be on those who argue that we should not join EFTA or be associated in some way with the EEC. With chronic unemployment, large scale emigration and a sluggish rate of industrial and agricultural expansion, nobody can be satisfied with the present framework of our economy. The prospect of increased exports bringing with them higher agricultural earnings and production and greater supplies of foreign exchange to help finance domestic development is one not lightly to be turned down. The Free Trade Area may not contain a magic formula to heal all her economic ills. But for a country so economically sick as Ireland is, it may easily point the way to a remedy, and should certainly not make our situation any worse.³⁸

As for the government, they perceived the attitudes of industry to be too relaxed. At a meeting between the Department of Industry and Commerce and PUTUO regarding the impact of a free trade area on industries, Tom Murray, an assistant secretary of the department, bluntly affirmed that the greatest possible expansion lay with those industries which were already doing an export trade while the most vulnerable were those with highest tariff protection. He stated, however, that there seemed to be a fairly general attitude on the part of industry that they would not be too badly off under the free trade area. This outlook, he argued, was not a pragmatic one. Those industries which had experience of exporting and saw new markets on the horizon could obviously expect to benefit. However, regarding any special arrangements to assist industries likely to be adversely affected, Murray conceded that the convention setting up the area was not likely to provide assistance: 'the purpose of the Free Trade Area ... was to eliminate the unfit'.³⁹ The attitude that pervaded both the business and trade union communities on the length of time that industries could take to meet the full rigours of competition was not shared by the government. The Fine Gael memorandum, for instance, mentioned a period of up to twenty years, while both the FUE and the FII thought in the same terms. The trade unions, on the other hand, thought that a period of twelve to fifteen years was more feasible. Lemass seemed to believe that Ireland had up to ten years to effect substantial change before having to face external competition. As we have seen, his officials were not as optimistic.

By 1958 the trade union movement was on the brink of a new era. In February 1959

the Irish Congress of Trade Unions [ICTU] was formally inaugurated and in July the ITUC, founded in 1894, and the CIU, founded in 1945, were dissolved. This was due mainly to the work of a committee of PUTUO, consisting of James Larkin and Ruaidhri Roberts of ITUC and John Conroy and Leo Crawford of CIU, which had been set up to draft a constitution for a united Congress. The ninety trade unions affiliated to the new ICTU represented a membership of well over half a million workers, two fifths of them in Northern Ireland.⁴⁰ The healing of the trade union split came at an appropriate time, for a unified body could provide advice and later influence without there being a contradictory labour voice. This was especially important as Lemass's views on economic policy were closer to that of Congress than those of MacEntee, who had embraced a more traditional conservative economic outlook. A further development in 1959 was the completion of the seventh round of wage increases. This brought to manual workers increases ranging from ten to fifteen shillings in individually negotiated settlements. A number of further settlements were reached during 1960 amongst clerical and salaried workers. This provided for a general revision of the salary scale structure but saw widely varying increases at different points of the scale.⁴¹ Shortly after becoming Taoiseach, Lemass invited Congress to meet him to discuss the question of development, and how cooperation might be generated between the various economic actors. Congress, while broadly supporting the premise that Ireland enter a free trade body, called on the government to adopt a planning strategy that would involve the expansion of the state sector.⁴² In broad policy terms Congress was adopting what Brian Girvin has termed a consumptionist strategy, which would increase purchasing power thus increasing demand.⁴³ It will be recalled that the trade union movement had been stressing such

a policy in the dark days of 1952. Congress also emphasised that the approach of the employers towards higher productivity was one of aiming at a constant production level with a reducing labour force, instead of increasing overall production and at least maintaining the labour force. It castigated the employers' approach as fatal to the long term prospects of economic expansion and unlikely to win the support of workers for programmes of higher productivity.⁴⁴

Expansion of the state sector was welcomed by some industrialists. Padraic O'Halpin, a businessman and chairman of the Engineering Development Council, in an address to a meeting of Tuairim talked of the very welcome direct concern of the state for the increased prosperity of the people:

where the national grounds for prosperity as our neighbours understand it do not exist here, that the people will press more and more for a better organisation of their existing assets. To obtain a clearer idea of what exactly is meant by organisation of existing assets, it is necessary only to think of the present day circumstances which were the result of past Governmental actions and to consider how we should stand without them: the ESB, the industrial drive beginning in the early thirties, Bord na Mona and the Irish Sugar Company are examples. We must bear in mind that these advances were not forced on the people but in effect demanded by them through their elected representatives. It is safe to say also that the people have welcomed these events and that their expectation of Government includes the advocacy of similar organisations in the future.⁴⁵

Lemass seemed to recognise the validity of this approach but Congress argued that government policy, while broadly correct, would not necessarily bring about quick results, either in employment or export terms. Congress insisted that Ireland should not merely wait for export-led expansion, but should also infuse capital into the domestic economy to achieve growth. At this stage the government was pursuing a cautious fiscal policy, maintaining spending at existing levels but shifting investment

from social to capital spending.⁴⁶ Congress, however, maintained that while capital investment was important, it would not on its own expand the economy. They argued that social spending should not be seen as non-productive as it injected money into the economy which had a knock-on effect. It was during this meeting that Lemass offered the first hint that he was unhappy about the EFTA negotiations. The ICTU report of the meeting states that

as far as relationship with the seven [EFTA] was concerned we could come in at any time if we wanted to. He [Lemass] did not see it ever being to our advantage to do so. If an agreement was come to between the seven and the common market, we might change our policy.⁴⁷

What Lemass was evidently worried about was that Irish industry and agriculture would not be able to expand significantly within such an area and he thought that for the moment Ireland would be as well off pursuing a policy of maximising trade with Britain. Finance, however, was painfully aware of the country's over reliance on Britain. The EEC offered the combined attractions of agricultural and industrial expansion. It also had in place a structure whereby Ireland could maintain an original strong protective support for a number of years. For Finance the bottom line was that they believed that Ireland could not join unless Britain did so as well.⁴⁸ A downside to any application to enter the EEC was that it would undermine the commitment to planning in any independent systematic fashion. If Ireland was to accept that international competitiveness was the main aim of policy, then planning on a national basis would be to an extent rather redundant.⁴⁹

Notwithstanding this caution on Europe, Lemass had decided to abandon the economic policy he had inherited. Budgets were to expand and increased investment

become a government priority:

It is necessary that the state as such should participate in development activities to an even greater extent than heretofore, both as a promoter of industrial ventures, in spheres where private enterprise has as yet shown no interest, and as organiser of projects which, while not directly commercial, will contribute to the overall expansion of the country's economy and help manufacturers and farmers to achieve greater production and planning.⁵⁰

Lemass, in conjunction with Whitaker, consequently decided to establish a planning branch within Finance, to be headed by Charles Murray who was Whitaker's chief collaborator in the writing of Economic Development, where proposals for new state investment activity would be examined.⁵¹ Thus there was an explicit commitment from the government to shift in a structured sense both output and exports from agriculture to industry. This reduced the impact on the economy as a whole of the considerable fluctuations in price and volume to which agricultural production was subject throughout the whole post war period. In particular the rapid expansion of manufactured exports in the 1950s tended to reduce export instability once such exports became a significant share of the total.⁵² Cathal Guiomard in a forcefully written, if somewhat iconoclastic, study of what is wrong with the Irish economy argues that the economic instruments that Lemass favoured at this time 'were overwhelmingly a continuation of centuries-old statism, and ensured that business would continue to lobby politicians, since the political system was often more important than the market in determining business success or failure'.⁵³ He furthermore argues that there was no economic rationale behind Lemass's proposals for more state action, asking 'why does nobody believe that economic progress cannot be achieved without strong government? Why does private enterprise need government leadership?'.⁵⁴ Guiomard, however, fails to offer any analysis of

MacEntee's deflationary policies. He simply dismisses Lemass as a statist, asserts that protectionism failed and that Lemass's policy was based on assumed but unexplained market failures, and assumed but unspecified state capabilities. Where Guiomard misses the point is that what Lemass was hoping to achieve, and more importantly his ways of doing it, were radically different to MacEntee's. Furthermore, as we have seen, industrialists of the day were not infused with sufficient entrepreneurial drive. The protectionist mentality dominated their thinking. Lemass, as we have seen, believed that Ireland had up to ten years, if not more, to sort out her economic problems, prior to having to face demands to dismantle tariff barriers. The government was willing to eliminate obstacles to inward investment but was not yet ready to open Irish industry to competition from the more industrialised states of western Europe, although senior policy makers were attempting to gain the best possible terms of entrance to various trading blocs. Irish industry was not yet ready and there was no sign that private enterprise was in any great hurry to lead the country in an export led industrialised drive.

For both unions and industry, Ireland's drive to industrialise had enormous implications. At a meeting in May 1960 between the FII and the ICTU, J.C. Tongue, President of the FII, argued that both sides 'should be concerned with making the national cake bigger rather than with the division of the present cake'.⁵⁵ This was something which the unions had brought up in their meeting, the previous September, with Lemass. The lack of economic development was something each side blamed the other for. Congress responded that they were willing to discuss anything with anybody but it is clear that they saw the FII as anxious to increase profits in a free

trade environment without a concomitant increase in living standards for workers. For example when a draft agenda for this meeting was being worked out the FII suggested that on the itinerary be an item generally defined as 'the need for increased productivity and the problem of restrictive practices particularly in the context of changing conditions in Irish industry and the prospects for progressive reduction in protection and of eventual free trade'.⁵⁶ Congress rejected this out of hand as 'not acceptable'. As far as the unions were concerned discussions on Europe and the expansion of production could not be based on an analysis of Irish work practices.

Trade Unions, the CIO and the EEC

In May 1961 the government decided not to join EFTA, and two months later formally applied to join the EEC after it became aware of Britain's intention to do so. For their part the British supported the Irish application.⁵⁷ In their application the Irish government stressed that there was no significant opposition to joining the community and that all the interest groups were broadly in favour of entry. For the purposes of examining the role of industry in the EEC, the government had established the Committee on Industrial Organisation [CIO] in which Congress and the FII were directly represented. Originally Congress was left out and had to demand to be included. Garret FitzGerald, who at this stage was an advisor to the FII, argued that the FII had to work with the government in a general review of economic policy and approached Whitaker as to the feasibility of the study. This was truly a radical step for business to take. Whitaker readily agreed and FitzGerald maintains that it was simply due to an oversight that the unions were left out:

they proved to be most constructive partners. Indeed, insofar as tensions existed within the committee they proved - as I had anticipated

- to be between the Department of Industry and Commerce on the one hand and the rest of us, with Finance, the CII and ICTU endeavouring as a troika to nudge that department into psychological acceptance of free trade.⁵⁸

In the circumstances it might have been more logical to have had a partnership with Industry and Commerce but that department had remained protectionist orientated and FitzGerald anticipated that it was unlikely on its own to be an adequate partner in the exercise contemplated.

Thus the committee was set up with the remit

to make a critical appraisal of the measures that may have to be taken to adapt Irish industry to conditions of more intensive competition in home and export markets, to undertake an examination of the difficulties which may be created for particular industries and to formulate positive measures of adjustment and adaptation.⁵⁹

The Irish Times welcomed the CIO, declaring that 'it could become the most important single organisation in the country, and will pilot industry through the transition period'.⁶⁰ When the CIO reports began to appear in the autumn of 1962 they showed the weakness of Irish industry, especially when it came to export potential. Not all industrialists were in favour of entry to the EEC. Aodogan O'Rahilly was deeply worried:

while I welcomed foreign investment, I believed that if we were going to enter the EEC then our sovereignty would be lost and in a free trade environment we would quickly go under. I drew comparisons between entry to the EEC and the passing of the Act of Union at the time as I foresaw Irish industry dying, just as what happened in the early 1800s due to the operation of economic laws. In many ways I suppose I was an old style Fianna Fail nationalist.⁶¹

More typical, however, was the response of Jack Fitzpatrick of the FII who told

Hibernia that Ireland would join the EEC and the result would be the 'blossoming of our economy'.⁶² Officially the FII had become a supporter of Whitaker's policy of economic planning. It noted that

in the midst of the activities in preparing for entry into the EEC it is good to see that the Government have not lost sight of their economic planning programme which will have an important bearing on our preparedness to face the challenge of the common market'.⁶³

The CIO was part of a continuing corporatist-style initiative by Lemass to involve the unions and industry in the policy of economic development in that it saw the development of a political structure which integrated the organised socio-economic groups through a system of representation and co-operative mutual interaction at the leadership level and social control at the mass level. Moreover as Hutton points out Lemass's desire to incorporate the unions found an echo in the dominant trend of corporatist thinking within the trade union movement itself.⁶⁴ The Employer-Labour conference came into existence in 1962 and the National Industrial and Economic Council [NIEC] was established a year later. These new agencies paralleled the state's commitment to economic planning, although if Ireland had succeeded in gaining entry to the EEC in 1963 it is doubtful what impact they would have subsequently had in policy formulation. Patrick Lynch recalls 'the freshness and vigour of trade union thinking on the desirability of a consensus on the broad economic issues such as income policies and economic planning'.⁶⁵ He describes the representatives of Congress as being free from partisanship, people who produced many original contributions directed solely to the common good, and he maintains that the support of the unions was essential for the success of economic planning that Whitaker was promoting. Donal Nevin has also talked of the importance of the unions' role in

bodies such as the NIEC, NESC and the CIO arguing that they could have taken the attitude that 'it is none of our business but instead played a positive role'.⁶⁶ While this may be so, Congress' first policy statement on entry to the EEC urged caution and advised the government, rather unrealistically, to pursue alternative strategies such as searching for new markets.⁶⁷ More interestingly Nevin maintains that Congress as a unified body left its negotiators, usually Ruadhri Roberts and himself, to formulate their own stance and adopted their reports on various economic policies unanimously. Before Congress was united many full time craft union officials, who were involved in complex negotiations with government and the employers on pay and other issues had little knowledge of economic problems. Nevin has stressed how the union movement and he in particular as research officer relied on the advice of academic economists, such as Paddy Lynch, for their policy positions.⁶⁸

The CIO was involved in incorporating the industrial interest groups into government structures and within this framework Lemass met the FII and the ICTU in January 1962 to discuss the implications of the application for industry. Lemass told the FII that they would only have a short period of time to adapt to the new conditions and would then have to face the full brunt of competition. He recognised that some industries would not be able to make this transition easily, but said that the government were aware of this and would seek some concessions from the EEC. Colm Barnes, President of the FII, protested that Irish industry could not survive what would amount to a fifty per cent cut in tariffs. As he was to recall later:

while we realised that the EEC would not tolerate stragglers, we thought it would be a massive act of self deception on the part of the government if they thought that industry could withstand such tariff cuts. Looking back now industry was very weak, but once you were

in there was great security because you had a captive market and high tariff walls which kept out imports. If we had entered in 1963 on these grounds native industry already weak would have been decimated.⁶⁹

Lemass, in response, noted that the Community would probably not give special concessions to Ireland and that while negotiation was possible they had to accept the principle of a broad transitional period for concluding the reduction of tariffs. It was doubtful whether the Community would agree to selective cuts, but if there was a possibility of securing a special protocol it would be necessary to specify the sensitive industries. He estimated that if Ireland joined in 1963 effective protection would be gone within three years of accession and that consequently this was the time span to be dealt with. Within that period and the longer transitional period adjustment might be made after consultation with the Community, but he believed that the limits were well established.⁷⁰ At another level a former government official has spoken of the frustration suffered by those officials who undertook the CIO surveys:

we would have an appointment to meet with the Managing Director of some firm down the country and we would arrive only to be told that he was gone playing golf or was off at the hunt, our experiences were literally of that kind. That was the mindset of industrialists at the time. They had no faith in the CIO, in fact they had no faith in anything.⁷¹

Countering this analysis, Joseph McCullough who was heavily involved in industry comments:

I was a general manager in a tyre manufacturing firm at the time. Civil servants from Industry and Commerce came down to see us but really they were hopelessly ill equipped. The idea that these fellows could help us to organise when they were not even organised themselves was ludicrous. What happened was that civil servants were being transferred from one section of Industry and Commerce to another but they were all really of the same mindset.⁷²

Another industrialist has commented on how great opportunities were lost due to the attitudes of businessmen:

due to that lack of self confidence, which was largely within small business, and not having enough strong entrepreneurial spirit, major opportunities were lost. However, we had no business people to lead us, only politicians and civil servants. Yet there was a feeling that they did not know business, the nitty gritty of it, only the theory and as a result business people tended to try to ignore them. Their attitude to the CIO would be an example of that.⁷³

Although ICTU gave only lukewarm support to the original application, they offered no dissension to Lemass's strategy when they met him three days later. Lemass urged the trade unionists to accept that changes were underway in Ireland's relationship with the wider world and that existing preferential arrangements with Britain were already weakened. He reiterated his intention to seek membership under the best terms possible, but said that they would have to operate on the assumption that tariffs would have to be removed by the beginning of 1970. He stressed that it was his view that

state aids to industry designed to promote efficiency should be regarded as desirable ... though the form of aid in some cases would be modified ... In general it appeared likely that the question of adjustment to common market conditions would be a problem of the position of individual firms rather than industrial groups.⁷⁴

This implied that even in the absence of EEC membership considerable changes in the Irish economy would be necessary. Congress responded to the government's stance by calling a consultative conference to debate the impact entry to the EEC would have on their movement. Congress issued no formal response to this meeting but there could have been no doubt in their mind but that Lemass was determined to bring Ireland into the community. *Hibernia* criticised the unions and the other economic actors for their general reluctance to comment publicly on economic issues:

'What is particularly lamentable is that the universities, the large business corporations, the trade unions, the private banks and the political parties make so little contribution to economic thought and discussion in Ireland'.⁷⁵

Congress was also involved in complex wage negotiations in the early 1960s which overlapped with the proposed membership of the EEC. Naturally in the matter of wage negotiations and productivity the trade unions had a different economic agenda than the employers. The employers had argued during negotiations in 1963 that the central economic purpose of national policy 'should be the attainment of the highest possible rate of economic expansion and employment consistent with reasonable price stability and without seriously disturbing equilibrium in the balance of payments'. The unions in response, however, argued that the primary objective of national policy 'should be to provide full employment at adequate wages. To achieve this objective the expansion of national production is necessary'.⁷⁶ These negotiations arose out of the government's own white paper on incomes policy, "Closing the Gap, Incomes and Outputs", published in January 1963. The government had been worried about the spiralling of wages since 1961 (which had seen an electricians' strike both in the ESB and in the private sector). Categorized by Garret FitzGerald as the key dispute of the decade,⁷⁷ it was settled by the Minister for Industry and Commerce, Jack Lynch, at the sum of twenty eight shillings a week. This was twice that of the emerging national pattern of fourteen shillings, the amount recommended by the Labour Court. Furthermore unskilled workers, who had not initiated the strike, demanded and received the same increase as the electricians, thus greatly influencing the subsequent course of the national round. By the end of 1961 wage increases for

men were ranging from twenty shillings to twenty five shillings a week. The government issued the paper because it saw the importance of securing a closer cooperation between increases in income and output. This, it saw, as a matter of urgent national importance, and hoped to establish a more orderly relationship between income increases and the growth of national production. Congress were furious that they had not been invited to consult with the government in the formation of such a policy and declared their opposition to compulsory wage restraint or interference in free negotiations between trade unions and employers. In particular they were opposed to any attempt to use the power of the state to restrict wages.⁷⁸ Whitaker had previously outlined the position of the government, declaring that it was in the interests of economic stability that wages should be related to productivity and that this proposition was not disputed by the trade unions:

wage increases which outpace productivity increases are nationally dangerous and bring no enduring benefit. There will therefore be agreement on the impact of efforts which are now being made by the trade unions and employers jointly to work out a more orderly relationship between higher productivity and higher wages ... From the broader economic and social standpoint there is a strong case for taking the general increase in national production as the main guide to increases and salaries.⁷⁹

In late 1963 the FUE and the ICTU initiated a series of meetings, arising out of the white paper, which resulted in a 'National Wage Recommendation' giving a twelve per cent increase for a two and a half year period. Neither side were very happy about the figure but all agreed that it was the best that could be reached in the prevailing circumstances.

Entry to the EEC and the consequences this would have for the national economy was

the main preoccupation of Congress in the early 1960s. It publicly responded to the proposed application by issuing a policy statement in July 1962 whose main thrust was that the conversion of the Irish economy to conditions of free trade should proceed

at a pace, over a certain period of time and in such a manner that our object of securing a continuing increase in total employment shall be kept within such limits that redundant workers will be able to secure equally good employment in Ireland without adversely affecting the intake of new entrants into industry'.⁸⁰

It did concede, however, that this object might not be attainable in the context of EEC membership. What it did not point out was that there was no chance of achieving this objective in protective isolation.

The situation changed dramatically when the Brussels negotiations broke down and de Gaulle vetoed the British application. While this was a severe setback for Lemass's ambitions for Ireland, he let it be known that the government was committed to maintaining the changes set in place by the application:

We intend to base our policy on the assumption that circumstances will emerge which will permit the admission of the present applicant countries to the EEC. In such an event we would be faced with the obligation to eliminate tariffs on imports from the community by 1970.⁸¹

Congress subsequently held a consultative conference in March 1963 to discuss the preliminary reports issued by the CIO on the state of Irish industry. The CIO had published reports on the leather footwear, paper and paperbond, cotton, linen and rayon, and motor vehicle assembly industries and estimated that these could be faced with considerable redundancies if EEC rules were applied to Ireland. The reports

painted a gloomy picture indeed. Problems of small scale, high import content, low proportion of exports, little marketing skills and contacts, low specialisation and an outdated approach to management were all identified as major problems for Irish industry.⁸² Unions representing workers in these industries communicated with ICTU to voice their fears and ask that consideration be given to policy in the light of these findings.⁸³ For his part, Lemass saw the reports from the CIO as proof that 'the policy of protection has been clearly and officially shown in post-war circumstances to be defective in promoting or compelling the effort needed to ensure the continuing efficiency of industry'.⁸⁴ In essence the CIO reports painted the following picture:

the competitive industrial sector built up within Ireland's tariff walls is of too small a scale to be efficient in the modern technological setting, the obvious answer is build up larger and more efficient productive units, to break down the tariff barriers and encourage the development of a competitive pattern ... but on a larger, efficient and international scale. But one effect of putting Irish industry into this wider setting is that exports and international trends over which we have little control now become of major importance.⁸⁵

Congress recognised that if industry was to export it had to be competitive. It would not be possible in the EEC to manufacture for export while receiving protection at home. Even if Ireland did not enter the EEC there were two good reasons why this policy should not be continued, it argued. Primarily, protected home industries tended not to export and concealed the cost of inefficiency within high priced products for the protected home market. Secondly, the consumer was subsidising the cost of inefficiency through the higher prices paid and this represented a drain on the national economy. The problem Congress faced was how to ensure that heavy reduction in employment did not result from the elimination of tariffs in the process of reorganisation of Irish industry. The manpower and social affairs committee of the

Organisation for Economic Cooperation and Development [OECD] had adopted recommendations that member countries should make an active labour market policy an essential element in their economic policies for growth and development. ICTU eventually adopted a rather catch all position. They supported the reorganisation of industry as desirable, and held that the extent of any reorganisation should be such that redundant workers could be absorbed. To enable this to be achieved, they advocated the establishment of a planning body to gather employment information and adjust investment to overcome cyclical disturbances.⁸⁶ It is not clear, however, how Congress anticipated such a body working or if they really believed that such a body would solve the unemployment problems that would inevitably arise once Ireland initially entered the EEC. Ultimately the CIO, in its final report, concluded that the sectors it examined were not adapting to the new economic environment, even though the government had not entered the EEC, was not likely to until 1970, and was offering to provide advice and finance to aid the transition. It found that most industrial sectors were not internationally competitive, that they concentrated on production for home consumption, and that unless adjustment took place there would be a considerable loss in employment.⁸⁷

In conclusion, by the early 1960s the government had decided that the future direction of the Irish economy lay in it being associated with the EEC. The trade union movement were initially lukewarm in their endorsement of this approach but were coopted by Lemass and subsequently involved in discussions on the future development of economic policy. Wage negotiations overlapped throughout this period with the evolution of an external economic stance and the union movement recognised

that higher wages and higher productivity depended on the expansion of the Irish economy. The government, industry and the trade unions recognised that Irish industry would have to develop rapidly to meet the rigours of free trade competition. As John Conroy, General President of the Irish Transport and General Workers Union, pointed out at the time: 'freer trade is coming and unless we all realise this and prepare we will find that every workshop and factory not fully and efficiently equipped will cease to produce to economic requirements and all the employees will find themselves unemployed'.⁸⁸ The CIO had pointed out the inadequacies of Irish industry to cope with the transition from a protective framework to an interdependent economy. All parties involved recognised that there could be no return to such a protectionist position and they resolved to adopt a trilateral approach in their attempt to revolutionise the Irish economy in the light of new free trade conditions. A consensus had emerged that it was better to face an unpredictable world as a member of an economic alliance rather than as an isolated economy, and an export led growth initiative was adopted. Ireland's economic interests had taken on a wider agenda, one which required the input of industry and the trade union movement. One of the main beneficiaries of Ireland entering an economic bloc would be the farmers, and it is to state-farm relations that we now turn.

Chapter Four

State-Farmer Relations 1948-1964

The evolution of farmer influence

This chapter traces the course of state - farmer relations from the foundation of the NFA in 1955 to the official formalising of relations between the government and that organisation in 1964. The 1950s saw a redefinition of state - farmer relations. The specifically farmers' political parties of earlier decades had been unable to establish Irish politics on a rural versus urban footing and had rarely been more than amateurs easily squeezed out by the professionals. The original Farmers' party did win a handful of seats in 1922, but failed to consolidate this modest achievement, its vote was eroded, and it faded away in a decade being subsumed into Fine Gael in 1932. In the late 1930s another farmers' party, Clann na Talmhan, emerged in the west, catering in the main for smaller farmers, but died out two decades later. Joseph Lee puts the absence of an influential agrarian party down to the relative political maturity of rural Ireland:

The fact that there was little significant difference between urban and rural mentalities precluded peasant backlash. Most parties, North and South, articulated some agricultural interests, and made ritualistic references to traditional rural virtues. There were streaks of peasantism in all major parties, but resentment at exclusion from the charmed circle of power, privilege and education never penetrated peasant consciousness sufficiently to form the effective basis of a national peasant party, simply because there was relatively little exclusion.¹

From the 1950s on, however, farmers avoided party and parliamentary politics, organising into interest groups or pressure groups, seeking to build up the power and muscle to take on the government in pursuit of their demands independently of the

party system.² Events were to show, however, that the established political parties themselves were slow to recognise the decoupling of farm issues from the party system. May 1950 saw the foundation of the Irish Creamery Milk Suppliers' Association [ICMSA]. Set up with the help of Macra na Feirme, it was from the start a militant agitating organisation concerned mainly with those who produced milk for manufacturing purposes. In 1953 it conducted the first milk strike in the country, one which lasted sixteen days and was hailed a success as the farmers secured an increase of 1 3\4 d per gallon for their milk.³ Of even more significance, however, was the emergence of the strike, a political weapon hitherto the preserve of the trade unions. A year later Macra na Feirme played an even larger role in bringing the NFA into existence. The NFA was to assimilate much of the expertise that Macra na Feirme had been building up since its own foundation in 1944 in economic and policy matters and from its inception it was clear that the NFA would carry the brunt of the bargaining on behalf of the majority of farmers. At the launch in Dublin the incoming president Juan Greene declared that it would concern itself mainly with the economic, technical and educational problems facing farmers and would be non political.⁴ As Louis Smith, who was to become the official advisor to the NFA, advocated at the time:

the NFA ... must present the farmers' case to the government and departments of state. This does not involve entry into politics, on which the Irish Farmers' Union of the 1920s split. Like all other unions it should stay neutral and put its view by argument and lobbying.⁵

Prior to the formation of the NFA various farmer interest groups had considered the possibility of uniting under one umbrella. In December 1953 John O'Dwyer, vice-

president of the ICMSA, and chairman of a committee representing the ICMSA, Macra na Feirme, the Irish Agricultural Organisation society and the Beet Growers Association, claimed:

it would be an ideal thing to have such a national organisation representative of the whole agricultural community, because then for one thing the minister would have no excuse for not consulting us on matters relating to the future welfare of our industry, just as any industry is entitled to be consulted ... If you have unity and coordination between agriculture, which is the vital industry in this country and the Government, you should in a short time build up a lot of confidence that has not hitherto existed.⁶

O'Dwyer described farmers generally as being distrustful of governments and having every reason to be 'given the happenings of thirty years'. However many in farming circles now believed that the time had come to coordinate in unison more fully with the government. This, they considered, would enable farmers to help themselves by a cooperative movement developed on the lines of the Swedish, Danish or Dutch systems. It is clear that the farming community in general felt that it was time to adopt a more aggressive and united stance in their dealings with the government. O'Dwyer echoed the feelings of many when he asserted that 'agriculture should be above the category of a plaything for politicians. The dictatorial policy of Governments in relation to agriculture will have to cease'.⁷ His terminology reveals the contempt with which some in the farmer movement held various governments no matter what their makeup.

The question of farming unity, however, was not easily resolved. In late 1954 meetings were held among the various farming groups but these came to nothing. Both *The Irish Times* and the *Irish Independent* ran editorials urging some form of

union after the talks broke down.⁸ Once the NFA had been formed, the ICMSA was only one of a number of commodity organisers which feared the possibility of a takeover by it. After a long series of negotiations chaired initially by Bishop Cornelius Lucey of Cork, it became clear that the basis for unity did not exist. Eventually the two main farming organisations, the NFA and the ICMSA, agreed to work separately, and their relationship continued to be characterised by friction. However as negotiations with the government became more complex in the latter half of the 1950s and the early 1960s with entry to the EEC high on the farmer agenda, the NFA continued to call for unity amongst farm organisations. Greene in his annual address to the NFA in May 1960 argued that the farming community should speak with one voice when dealing with the government on the European issue. He complained that the government had failed to improve the position of farmers in the review of the Anglo-Irish trade agreement of 1960 and that it would only be through a united front that farmers could hope to influence government policy.⁹ The NFA also called for unity on grounds other than economic. In late 1963 S.A. Sherry, secretary of the livestock division, encouraged all farmers to unite and join the NFA as 'it is probably affording Irish farmers the last real opportunity they have of doing something worthwhile for agriculture as a social concept as well as a way of life'.¹⁰ However for all their soundings on unity the NFA never quite managed to convince the smaller farm organisations that their future lay with the larger group. One example from 1962 shows what the ICMSA thought of their larger counterpart. Referring to attempts by the NFA to coordinate a unified farming response to the growing question of Europe in the 1960s, John Feely, deputy - president of the ICMSA, lambasted the NFA, claiming that 'by its gratuitous interference it had done

and was continuing to do untold harm'.¹¹ J.C. Nagle, a former secretary of the Department of Agriculture, has speculated that small farmers, who in the main were represented by the ICMSA, felt that they would be swallowed up within the NFA and that their interests would not be properly catered for within the larger organisation.¹² Thus they felt that they would be better equipped to argue their own case with the government as a separate entity distinct from the NFA. This, however, caused innumerable problems for the government, who would have preferred to deal with just one organisation. Paddy Smith, the Minister for Agriculture, complained that the NFA and the ICSMA 'are as often as not playing for position and, for them, the Department of Agriculture and the Minister are just tools to be used for furthering their sectional interests'.¹³

The influence of the NFA

The NFA, however, was the main focus for negotiation with the government during the period and it was far more aggressive in its championing of farmers' issues than any other organisation. Its influence spread rapidly in the years after its foundation, especially in matters such as the pioneering of livestock marts and bovine TB eradication.¹⁴ It set up committees to deal with the various farm sectors and initiated a vigorous recruitment drive. By the time of its annual conference in May 1960 the General Secretary Sean Healy was able to announce that the NFA consisted of 864 branches and 51640 farm families.¹⁵ By this time two issues had emerged which were to be of fundamental importance to the NFA and the farming community in general. They were interrelated: one was the level of agricultural incomes as compared with industrial incomes, the other the impact that Irish entrance to any

European economic grouping would have on agricultural incomes. The NFA took a definite stance on both issues. In an address to NFA members in Kildare in 1958, Greene asserted that 'the pulse by which we must assess the economic health of this country is to be found in a prosperous rural community'. He also maintained that farmers should enthusiastically support some form of European economic integration: 'European integration is more than our challenge, it will be our salvation if we wish it so ... If we are to survive it will be as a partner in a larger viable economic unit of an international character'.¹⁶ The NFA had since its inception been extremely critical of government policy in agriculture. Things came to a head early in 1958 when a motion of no confidence in the government was passed at a special meeting of the NFA's council. Greene wrote to the Taoiseach, de Valera, to say

that the council of the NFA unanimously passes a motion of no confidence in the attitude of the Government towards the present agricultural situation and that the council asks that an interview be sought with the Taoiseach to place before him their views on the very serious crisis that has now arisen. The council further decided that it is vital that farmers throughout the country be more clearly acquainted with the situation and is to arrange for public meetings in each county.¹⁷

This was an important milestone in state - farmer relations, in that it was the first time that such a motion had been passed criticising the whole thrust of governmental policy and demanding a complete reworking of such. Relations between the NFA and Fianna Fail had been fraught since the latter returned to office in 1957 and the motion of no confidence only heightened the tension. While the NFA mistrusted Fianna Fail over general agricultural policy making, there is evidence that Fianna Fail's antipathy towards the NFA ran deeper. In a speech in Wexford in 1958 the Minister of Finance, Dr. James Ryan, criticised the NFA, claiming that they were a pawn of the

Fine Gael party:

I can recollect three or four Farmers' unions in the last forty years; they all began by telling us they were non political and non sectarian but they all ended where they belonged in the ranks of Fine Gael.¹⁸

The Irish Times in an editorial entitled 'Politics and Policy' came down in favour of the NFA and criticised government policy towards farming in general, stating that there was a complete lack of evidence that agricultural decisions were dictated by the balanced needs of a planned agricultural policy:

When can we expect a government which will begin to treat agriculture as what the party hacks are saying it is - our major industry on the planned prosperity of which our economic survival depends?¹⁹

Louis Smith asserts that all agriculture ministers of both parties thought of politics first and agriculture second: 'you had all sorts of accusations. Dillon used to say that the NFA was nothing but a Fianna Fail rump while Ryan and others thought of the NFA as Blueshirts'.²⁰

By September 1959, after five years in existence, relations between the country's largest farm organisation and the department had reached an extremely low point. Greene wrote to Smith on the relative positions of farm organisations and the Department of Agriculture, stating that 'if good relations cannot be established between the two, then I am at a loss to know where we are going'.²¹ There were a number of reasons for this. The NFA had come into existence with a clear set of priorities. High on this list they claimed was to establish for the voice of organised farming a more progressive relationship and understanding with ministers of government and their respective departments, and in particular those most closely

associated with the agricultural industry. They declared themselves determined to prove their worth as partners with the government in formulating a predetermined progressive agricultural policy for the country. J.C. Nagle, in a letter to the author, has seen in this phrase a hint of undemocratic thinking within the NFA stating that they 'did not seem to realise the full implications of a government singling out one organisation as partner over another'.²² Yet the NFA argued that their willingness to be such partners would require more on their part than the mere passing of wishful resolutions that 'we wanted more cash per unit of production'. This they were willing to do and they deemed that they should be armed with the reason why, and the more important question as to how, this was to be done in the context of the Irish economy.²³ They argued that in all their dealings at governmental level they had been supported in the knowledge that they had answered these questions. In attempting to gain a better deal for their members the NFA stated that they recognised early in their existence that new attitudes would have to be developed if they and the country at large were to fare better than they had in the past, and that they were supported in this by public opinion. This was important, they argued, as without it

there was almost nothing to hope for, for the very good reason that the future prospects of improving our whole economy are very largely dependent on vocational groups being willing, encouraged and even assisted, towards doing something for themselves. There is a duty for all of us now to determine what progress if any we are making in this direction. NFA opinion is disappointed, often even discouraged, in having fallen short of the target we set ourselves.²⁴

While claiming that their object was to expose the deficiency rather than determine where the fault lay, the NFA for their part had no doubt where the particular blame belonged for their failure to reach their targets. In the September 1959 *Quarterly Supplement* of the NFA Greene launched a stinging attack on the Department of

Agriculture and by implication the other farming organisations:

By default, in failing to produce from our own ranks many years ago a vocational unified voice for agriculture, we ourselves forced our Department to play a role in farming matters it was never designed to take. Further to this, with the development of a multiplicity of uncoordinated and often contradictory voices speaking on behalf of the farmer, our Department was further forced to the all-powerful position of sole arbiter, ultimately developing into a closed shop mentality. For very many years the impression created in the public mind has been that of the farmers and their own State Department in a state of continuous rebellion and constantly at each others throats. Anything less conducive to rational development of the industry could hardly be imagined.²⁵

Stating that the NFA were well aware of the difficulties between the department and itself Greene claimed that he was anxious that people in other quarters would become aware of it. This was taken in the department to be some sort of veiled threat and, if anything, made the government, and Smith in particular, more obdurate in their dealings with the NFA.²⁶ The NFA insisted, however, that they were determined to reach their self imposed targets because if they were not to be regarded as partners responsible to the industry 'it would continue to remain a house divided against itself and might be as well written off as having no important place in the affairs of our country'.²⁷ The implication was that the department were wilfully ignoring the NFA and had offered no response to approaches from it. Greene went so far as to suggest that it was interesting that no other vocational group was so obviously out of tune with the relevant state department than the farming organisations.

The response of Agriculture

For their part Agriculture felt that, ever since its formation in January 1955, the NFA had adopted a consistent policy of attempting to 'denigrate and besmirch the

department'.²⁸ At departmental level the complaints of the NFA were treated cautiously but there was a feeling that the association was engaged in a policy of trying to usurp the smaller farmer organisations, and were attacking the department to show their strength.²⁹ At ministerial level however things were not so circumspect. Smith replied to Greene's complaints in a handwritten letter just over a week later and resolutely defended his department's and his own record while launching a savage attack on the behaviour of the NFA. Claiming that there was absolutely no justification for all the NFA's criticism, Smith recalled that there had been 41 meetings between the department and the NFA in the past year alone. Furthermore, many of these meetings had been convened on the initiative of the department and some even at Smith's own behest:

some members of the NFA may take the line that such meetings are no use as the Minister has his mind made up beforehand. But it is just not true that reasonable recommendations and constructive criticisms are ignored by my Department or myself and I can give you a lot of examples of this if you wish. I can even remember a scheme which I accepted against my better judgement, shortly after becoming Minister, merely because discussions between my officials and the NFA which had been going on a long time were approaching final agreement.³⁰

A point made by both Smith and J.C. Nagle regarding the NFA's grievances was that the department had many aspects to consider and weigh which the NFA did not have to concern themselves with but which were the government's duty to examine.³¹ As Nagle pointed out to the author:

in practice some clashes between the government and farming organisations have to a varying extent been inevitable, given the natural preoccupation of the latter with acquiring power to enable them to influence policy decisions by dint of continuing criticism without detailed and objective examination of the probable cost of their proposals to taxpayers. This is not to question the right of an organisation to use lawful means in pursuit of legitimate objectives, but it must remain a matter of opinion how far such rights should be

tempered by reference to the public interest.³²

Smith's belief that his protestations 'should be taken in good part and not used for the purpose of misrepresentation and abusive attacks in *The Farmers Journal* and elsewhere' was somewhat overoptimistic as the NFA did not always see it this way and were not totally convinced by the department's protestations of putting the country first.³³ As Louis Smith remarked: 'all we were ever told at our meetings with the department was that they had to think about the country as well as agricultural policy. The point was that the NFA had become a serious threat to the department because we were putting forward policies and wanted serious reform. The department could not handle such independent thinking'.³⁴ Paddy Smith also accused the NFA of using their contacts with the department for purely propaganda purposes and 'purely misleading propaganda at that' and complained that 'while we have on several occasions been complimented and thanked privately by your organisation for various actions and services, I find it hard to remember occasions on which any public acknowledgement was bestowed on us'.³⁵ His annoyance stemmed from a number of policy clashes with the NFA.

Shortly after becoming minister in 1957 Smith discovered that illegally imported landrace pigs were flourishing in many parts of the country with the full support of many members of the NFA. There was even talk of a 'landrace martyr' when one farmer was prosecuted for what was in effect breaking the law of the land. He then proceeded to legalise imports as there was then no other valid alternative. This, however, meant that a decision based on a full consideration of the merits of the case

was ruled out and ultimately the indiscriminate smuggling introduced much inferior breeding stock into the country:

no doubt the smuggling offered the prospects of large profits to individuals, but I don't think many farmers would now disagree with me that it would have been far better for the country if a decision on import could have been reached by the normal process of a reasoned appraisal of the merits of the case.³⁶

Yet the NFA saw this policy as outdated. As Louis Smith has since commented: 'The department wanted to cut the throat of any landrace pig that got into the country. The Danes were completely the opposite, that was the mentality of the department at the time, completely troglodyte'.³⁷ Paddy Smith's troubles with the NFA over this issue did not end with the legalising of imports. Once this had been introduced a determined effort was made by some members of the NFA to obstruct the department's arrangements for a national herdbook. To the minister this behaviour bespoke a want of the sense of responsibility which he claimed should be the first essential in an organisation before it could be entrusted with powers of any kind.

Bovine TB was another area of conflict between the parties. Arrangements which had taken many months to work out between Agriculture and the various vocational bodies had been damned with 'faint praise' once they appeared. The bovine question was also a source of dispute and tension within the farm organisations. The ICMSA which represented 80,000 dairy farmers complained that the bovine scheme was being implemented while simultaneously the price of milk was being reduced. Its deputy-president John Feely complained 'it was not surprising that the NFA would like to have the ICMSA operate the bovine scheme, because as the NFA stood for big cattle breeders and exporters, it would be to their great advantage to have TB free cattle.

Now that the price of milk was to be reduced by 1d per gallon the dairy farmer could not pay for the bovine TB scheme'.³⁸ While Feely was anxious to have the country free of infected cattle in the 'national interest', his argument was based on the premise that it was dairy farmers who produced the young stock and it was dairy farmers who would have to pay for it. At this stage the ICMSA was threatening militant action on the milk price issue. Its president C.H. Fletcher insisted that

our agitation for an increase in price of milk is fair and we will have to be ruthless to get our just demands. Already my organisation has threatened to go slow on Bovine TB ... A cool £1 million has been plucked out of milk producers pockets. For the first time in 25 years milk has been reduced in price. This unexpected and unwarranted pilferage of the dairy farmers income ill behoves any government which wants to keep farmers on the land.³⁹

While the ICMSA were combative in their approach, they did not resort to the strike method which they had pursued in 1953. They continued to assert their independence from the NFA vigorously and campaigned robustly to have their policies enacted. It was the NFA, however, with whom the government had most trouble.

During 1959 the NFA initiated a campaign which Smith claimed was calculated to shake faith in the 14 days test for cattle. The inspiration for this, he maintained, was 'a shortsighted attempt to get acceptance for one method of selling cattle as against another without any apparent regard for the country's long term interest'. The NFA had brought over farmers from Britain in support of their campaign which only served to incense Smith further. He accused the NFA of doing immense harm to the country and stated that it would be difficult in such circumstances to establish the kind of policy partnership that they desired. Smith furthermore accused the NFA of using their position in the *Farmers Journal* to put forward statements which had a 'strong

political tinge'.⁴⁰ This referred to a dispute over marketing for Donegal oats. The department issued a statement on the matter to the NFA but the issue appeared in the *Farmers Journal* under the guise of a mystery being cleared up and referred to misrepresentations and half truths coming from the minister. To Smith, the NFA and by implication the *Farmers Journal* were behaving as pawns of Fine Gael in agricultural matters. However there were inconsistencies in his stance on this position. He later informed Greene that he was not the first agricultural minister to encounter such problems with the NFA. Yet the only other agricultural minister to have had any substantial dealings with the NFA since its foundation was Fine Gael's James Dillon. While both Sean Moylan and Frank Aiken briefly held the ministry of agriculture prior to Smith's appointment, neither man made any impression in the department. In truth the NFA as a body were only interested in one thing, the betterment of their members' livelihoods, and could not really be described as being anyone's pawns. Whether it was a Fianna Fail government or an inter-party government they were going to press their demands with as much strength and resolve as they could muster.

At this stage relations between the NFA and the government were very tense. Smith, however, claimed that his grievances against the NFA were valid and that the organisation was open to criticism on many scores. He acknowledged that the NFA must be seen to criticise when the occasion demanded but argued that it should stick to the facts as otherwise relations were bound to deteriorate. It is difficult to imagine relations being any worse than they were at this point. Smith seemed intent on letting the NFA know that they were approaching bottom point with his department.

Relations, he proclaimed, had been 90 per cent destructive between the two and he left no doubt as to where he considered the blame lay. He attacked the NFA's own record as a vocational group, claiming that there was not a great deal of evidence of them taking on independently 'many functions which they could perform and which we would be delighted to see them perform'.⁴¹ This is a moot point as various farmers' organisations were taking on and developing a number of policy initiatives in a whole range of farming issues. The department, however, were not so keen on some of the proposals put forward. Smith, it would appear, was trying to have it both ways: condemning the farmers on issues of policy and their methods of trying to achieve their implementation, while excoriating them for not carrying out unnamed independent functions. Ultimately the department, and Smith in particular, believed that there was too much of a tendency within the farmers' organisations to make any action they took themselves conditional either on undue support from the state or too high a degree of regimentation of other citizens. While asserting their willingness to encourage and assist the farmers to develop in their work the department argued that they could not aspire to such arrangements as existed in Britain for a comprehensive annual price review supplemented by taxation. Britain at this stage was a wealthy industrial country which imported something close to half its food. Ireland, however, was an agricultural country dependent on food exports to a competitive market for her livelihood, and thus was not in a position to support farm incomes at the expense of the rest of society.

The problem for the NFA, however, as Smith and his officials recognised, was that there were a number of other organisations which claimed to speak for the farmer.

Thus the association had to seek the maximum of publicity.⁴² What was not acceptable to the department was the use of "stunt" methods which do not make any positive contributions to our problems but follow the easy way of contemptuous treatment of existing institutions'.⁴³ As Smith himself acknowledged, the NFA's leaders were not going to be able to remedy overnight all of the defects to which he had referred. In actual fact it was very unlikely that the NFA would be prepared to admit that Smith's assessment of their position was justified. Indeed some years later Smith, still the minister, explained to the Taoiseach, Sean Lemass, that he had invited Greene to publish his letter and use it 'unconditionally in any way you may think useful and proper'. Greene did not, however, accept Smith's invitation to make their correspondence public.⁴⁴ Whether this was because he considered Smith's criticisms to be valid is uncertain; what is clear, however, is that this correspondence did not deter the NFA from aggressively pursuing their agenda. They attempted to build up closer contacts with their European colleagues, and began applying with success to the department for funding to attend various agricultural conferences in such places as Italy, India and Yugoslavia.⁴⁵ Louis Smith claims that it was Lemass who cleared the way for the NFA to receive financial assistance and that Paddy Smith was 'not one bit pleased with it'. He furthermore argues that the department themselves had no real wish to attend international agricultural gatherings but rather relied on the British to keep them informed.⁴⁶ This was the beginning of a concerted effort by the farmers to gain entry into new markets for their produce. Their prime target was to be the EEC.

The NFA and the EEC

By early 1960 the Irish farming community were very much alive to the benefits of participation in an EEC Common Agricultural Policy [CAP]. In July of that year the NFA issued a statement asking the government to consider becoming a partner in the EEC. This move was provoked by their disappointment at the failure to improve the position of Irish farming during the review of the Anglo-Irish trade agreement of April 1960. The secretaries of Finance and of Agriculture at the time have conceded that this agreement was somewhat of a disappointment, though both insist that it was the best that could have been achieved.⁴⁷ The NFA, however, certainly did not take the same view. Not only did they urge consideration of the EEC option, they also suggested that Ireland should join before Britain and pursue its application whether Britain was admitted or not. The NFA considered that the historic trading link with Britain had been weakened and that its advantage to Irish farmers had been eroded. The CAP offered guaranteed high prices, access to an expanded consumer market and new trading opportunities. The NFA also suggested that Irish industry would be no worse off inside the EEC than was currently the case with respect to EFTA or the EEC.⁴⁸ In fact, as Brian Girvin points out, what the farming lobby was interested in was maintaining its own income without consideration of other aspects of economic policy.⁴⁹ There were two serious flaws in the NFA's argument. The first was central to the question of when and on what terms Ireland would join the EEC. Ireland's accession to the EEC would almost certainly be followed immediately by the abrogation of the Anglo-Irish trade agreements and the consequential elimination of the preferences, both industrial and agricultural, which Ireland enjoyed in the British market. The acquisition of any corresponding preferences in the EEC would only be

achieved gradually over a transitional period which might be as long as ten years. Thus the intervening period would be fraught with difficulty, particularly for Irish industry.

Secondly there was the certainty that if Ireland joined the common market and raised a common external tariff against Britain, then industrial exports to Britain would be penalised in a way that could not easily be compensated for through increased exports to the six. For their part the NFA could only see two possible disadvantages to joining the EEC. Primarily there was the traditional and close trading relations between Ireland and Britain. The failure of the Anglo-Irish trade agreement to offer due recognition to Irish agriculture, despite Ireland's almost complete dependence on this sector of the economy, made this special relationship redundant in the eyes of the NFA. Secondly there was the problem that joining the EEC could mean that British industrial supremacy, valued at about £100 million a year, in the Irish market might be replaced by the EEC, but at no greater cost.⁵⁰ The NFA, however, believed that returns from agriculture and other exports to other EEC countries would benefit substantially both in volume and in value. Thus entry to the EEC would offset any setbacks incurred by the loss of the British market. The farming lobby was strong throughout Europe at the time and J.C. Nagle has speculated that the NFA were emulating their European counterparts in advocating entry to the EEC as a means of harmonising access to the European market for all farmers.⁵¹

In response to the NFA statement the Department of Agriculture statement warned the government that there were disadvantages, which were more serious than the NFA

had intimated, as well as advantages to joining the EEC. Among advantages for Irish farmers was the price support mechanism offered by the EEC to protect farm prices from world competition, as well as the general principle that farm income would be maintained at specified levels. This would benefit Irish farmers as their price levels were lower than those prevailing within the community. In specific areas, Irish farmers could hope to benefit from price adjustment elsewhere; Irish dairy produce might be competitive given price, but this would have to be considered in the context of surplus production within the EEC. In contrast to these advantages, the department suggested that Irish beef would be placed at a disadvantage in the British market and that the British might not continue the favourable payments agreed for Irish cattle, while continental markets were unlikely to absorb the surplus beef from Ireland. Entry to the EEC would also affect policy making, as the bilateral aspects of the relationship with Britain would end, to be substituted by an expanded EEC within which the Irish government would be much weaker. There were also social problems to consider, as there was every likelihood that the migration of labour from agriculture would continue if not accelerate under the EEC. The department concluded on a rather pessimistic note:

In the absence of a large and growing home market, what is necessary from the farmer's point of view is to become associated with an industrial economy strong enough to give agricultural incomes the necessary degree of support and stability. It seems unrealistic to suppose that this can be achieved in the absence of some special economic understanding with Britain, whatever solution may ultimately be found for the Six-Seven problem.⁵²

The department were not, however, content to leave things as they stood and were favourable towards entry as long as Britain entered as well.⁵³ While the government refused to be drawn on the question of its position if Britain did not secure

membership, it is clear that the farming organisations were of the opinion that Ireland should nevertheless continue its application. The department most certainly did not take such a view. To it, the arguments which the NFA advanced for joining a common market could be applied with equal force to entering into a common market type arrangement with Britain. It was this appraisal of the economic situation which led the department in April 1959 to put forward the proposal for closer relations with Britain which were designed to tie Irish agriculture to British supported prices over a wider front.

The NFA, guided by similar considerations, were opting for integration with the EEC. This was because to them it had so far proved impracticable to get from Britain the kind of arrangement which Irish agriculture needed. For the department it was appropriate in the circumstances that they should look to the country which took eighty percent of Irish exports for such an arrangement.⁵⁴ Fundamentally the NFA agreed with the department's point that what agriculture required was to 'become associated with an industrial economy strong enough to give agricultural incomes the necessary degree of support and stability'. The essential difference between them was the economy they wanted to be associated with. Once again the department displayed a cautious nature, declaring:

there are little grounds for hoping that any worthwhile expansion of our agriculture can take place on the basis of compromise solutions between the six and seven which would not provide for a large degree of incorporation of our agriculture in the support arrangements of Britain or the Common Market. Tariff quotas or marginal increases in trade at world prices, even if they could be obtained, might be helpful but would not alter the fundamental situation of our agriculture.⁵⁵

The NFA, however, were much more insistent that the common market was the place

to be. Greene told the Institute of Public Administration's annual conference on higher administration studies that

one is left with the impression that without becoming a partner in a larger, viable economic unit, that will seek to cater for agriculture in its wider community, there is little to be optimistic about for our agriculture over the next ten years. At all costs we must avoid the Common Market being used and becoming a fashion as the cure-all for our agricultural ills; there is no utopia for agriculture in the Common Market. All that can be said is that the Common Market will provide us with a greater opportunity ... I think I would be right in saying that without the advent of the Common Market, the prospect facing Irish agriculture over the next ten years is pretty hopeless.⁵⁶

A crucial meeting was held in the Taoiseach's office in December 1960 between the Departments of Agriculture, Industry and Commerce and the Taoiseach, and the NFA, which was represented by Greene and Louis Smith, the organisation's chief economic advisor. The aim of this encounter was to try to formulate a coherent position between the government and the country's main farming organisation on the issue of the EEC. For the NFA Greene felt that the ideal position for Ireland would be some sort of close agricultural association with Britain which would ensure that a worthwhile market was provided for all that was produced. This was clearly a utopian dream and completely unrealisable. The 1960 trade agreement with Britain did not bring any substantive change in agricultural relations and Britain seemed committed to a cheap food policy with high price supports for her farmers. Thus to the NFA there was no future in Ireland selling its agricultural surplus to Britain at a low price and it was clear that the Irish government could not afford the level of agricultural price support which was maintained in Britain. To the NFA the situation was clearcut:

Agricultural incomes in Ireland were falling, costs were rising, and a

number of farmers including big ones were selling out. By contrast agricultural output in Northern Ireland had increased very substantially ... As Britain had refused to give us a reasonable agricultural deal we would be better off in the EEC where we could participate in all the benefits of the CAP which was based on the idea of equalising incomes of farmers with those of other sectors. Furthermore this would give us a strong bargaining position in relation to Britain.⁵⁷

When questioned by the Taoiseach as to the seriousness of this proposal, Greene replied that it was a very serious and well thought out proposition on which the farming lobby were united. Lemass, for his part, spelled out the problems that EEC membership without the accession of Britain would have for the country. He said that he saw no reason why greater agricultural efficiency should not be developed in the country, and that while reasonable prices were important they were not the only factor for improving the economic position of farmers. Paddy Smith pointed out that the government had not 'cried halt' to increases in production, and they had not said the limit of subsidisation had been reached. The NFA were not convinced about these propositions, with Louis Smith claiming that the National Farm Survey for 1960 showed that 60 per cent of farmers' expenses went on labour of one kind or another.⁵⁸ This, he argued, was a figure farmers simply could not afford. What they needed was greater subsidisation and an expanded market, the EEC.

The differences in economic emphasis for Ireland between Britain and the EEC were highlighted by Industry and Commerce. In 1959 exports to Britain were worth £96.5 million to the Irish economy. Agriculture accounted for £54.2 million while non agricultural exports reached £42.3 million. In contrast total exports to the common market amounted to only £7.25 million, of which agricultural products were worth £4 million. These products were principally cattle, horses, beef and other meat

commodities. The adoption of a common external tariff which would have to be applied to British goods would put the British at a disadvantage in the Irish market as compared with EEC countries. Thus it would be foolhardy to expect that Britain would continue to give trade advantages, agricultural or industrial, to Ireland in those circumstances. Action of the kind that Britain might be expected to take, Industry and Commerce pointed out, would result firstly in a loss of value of exports and secondly in a fall of volume. The prospects of making good these losses by trade in the EEC, they continued, were not bright. Factors such as Ireland's peripheral position and lack of indigenous raw materials, they argued, would 'always tend to expose competitive disadvantages on our industries exporting to the continent'.⁵⁹ For Industry and Commerce the principle of adequate protection for Irish industry, including special consideration for industries not yet fully established which was enshrined in the existing trade agreement with Britain, was paramount. It was a sign of the stagnant thinking in that department that they could see no benefit whatsoever in joining the EEC. To them protectionism was sacrosanct. As for agricultural matters they concurred with the views of the Department of Agriculture but added that there could be no expectation of any substantial market for produce such as cattle, milk, pigs, eggs, wheat and feeding barley in which the Six were already self sufficient. Thus they contended that the country could find itself in an economic community with attractive prices but only for a very small quantity of particular produce. Moreover in the political field Irish influence on the other six members would be very limited. Industry and Commerce concluded by noting that it should be remembered that the final objective of the six was political integration. What the country first required, however, was a combination of reasonable long-term price stability in agriculture and

a very substantial expansion in productivity.

At this point, however, the key economic emphasis for Ireland remained agriculture despite the 1958 commitment to industrial development in the First Programme for Economic Expansion. This point was made both internationally and at home. When the government formally applied for membership in January 1962 it proclaimed that 'for Ireland agriculture will always be of major importance. We are naturally anxious that through membership of the European Economic Community, Ireland should be able to look forward to a balanced development of agriculture and industry'.⁶⁰

Lemass had also made this point over a year earlier when he told the Dail:

It is important to have it fully appreciated that the government have never treated, and do not now treat, the interests of manufacturing industry as the predominant consideration in their approach to the question of association with either of the European trading groups, or in their trading policy generally, in the sense of having failed to attach due importance to agricultural interests.⁶¹

While industry was constantly discussed at official level, the main objective of policy in the early 1960s was to obtain favourable membership to the EEC and to secure, if possible, continuing access to the British market for agricultural exports. The British market and agricultural exports as we have seen remained the key focus of Irish policy at this time, with industry being of secondary consideration. This was made explicit in Lemass's statement to the Council of Ministers of the EEC in January 1962:

Because of the close inter-relationship of the economy of Ireland and that of the United Kingdom, and the vital interest of Ireland in agricultural trade, the Irish government would wish to have the discussions for the admission of Ireland to the Community completed at the same time as those for the United Kingdom.⁶²

In June 1961 the Irish government published a White paper on membership of the EEC which prepared public opinion for the application the following month. As Dermot Keogh observes, Ireland found that it could not postpone a decision on applying for membership of the EEC once it had been learned through diplomatic channels the previous April that Britain proposed to seek immediate entry.⁶³ The economic argument for joining was paramount. As Whitaker put it:

We have applied for membership of the EEC because it would be economic disaster for us to be outside of the community if Britain is in it. We cannot afford to have our advantageous position in the British market turned into one of exclusion by a tariff wall, particularly as our chief competitors would be inside the wall.⁶⁴

While the NFA disagreed with the government over the reason for applying they were pleased once the government decided to press ahead with its application. The main question for the NFA and indeed the government was to what extent would the agricultural advantages which they looked forward to be whittled away by concessions to British and Commonwealth agriculture. The NFA had been notified by the department of this danger. For their part the NFA urged the government to 'keep an open mind' as to what to do if the British negotiations failed.⁶⁵ They held firm to the notion that Ireland should go ahead and join separately. For the government, however, should the British negotiations fail 'a new and changed position will have arisen and we cannot say what our reaction to it will be'.⁶⁶

Prior to a meeting in Brussels where Lemass was to outline the Irish position to the community, he and Paddy Smith met the farming organisations to discuss the questions involved for agriculture. The main concern of the government, according to Lemass, was the terms on which the British might gain entry. As Britain were

looking for a twelve to fifteen year transitional period, this would have a considerable impact on Ireland. The farming organisations were undoubtedly anxious that the agricultural sector receive the full benefits of membership. Raymond Crotty, later to become one of the most fervent critics of such membership, as an ICMSA representative supported the government, on the grounds that 'nothing could be worse than the present position'.⁶⁷ He also intimated that minimum concessions should be sought for other sectors of the economy, and that a liberal industrial import policy be pursued. The government refused to be drawn on the question of its position if Britain did not secure membership, though it is clear that the farming organisations were of the opinion that Ireland should nevertheless continue its application.

Crotty, however, was a cautious advocate of the policy as he later wrote with a certain disdain of 'the prospect particularly of membership of the EEC and the very high prices that that held ensured the enthusiastic support of the Irish farming interest for the ... policy of export promotion'.⁶⁸ The whole European question and the option of entry to a trading bloc worried Crotty. He later recalled that it was 'more clear than ever in 1959 that this country of mine was in dire trouble and was being set on a course that was bound to immerse it deeper and deeper'.⁶⁹ In hindsight Crotty maintained that without a more efficient mobilization of the state's considerable agricultural resources, there was no prospect of development. Crotty, although an agricultural economist, was merely reflecting the views of farmers countrywide when he later declared:

Whatever temporary benefits were secured by the Whitaker expedient would of their nature be transient and would leave the economy weaker and poorer in the long run. It seemed clear that if government could not cope with the old but elementary problem of making Irish

agriculture a little less inefficient, it was poppycock to think that it could cope any better with the new task it was setting itself, to launch the country into sustained, competitive manufacturing for export.⁷⁰

Within Crotty's arguments one can see the real insecurity of the farming community. While they were enthusiastic supporters of Irish entry to the EEC, they still feared that within such a body, industry would supersede their dominant position within the Irish body politic. Nowhere is this argument put forward more strongly than in the contradictory writings of Raymond Crotty.

The case for redistribution

For the NFA entry to the EEC would alleviate the discrepancies between industrial and agricultural incomes in Ireland, and ensure a rise in living standards both in rural and urban Ireland. To Rickard Deasy, who had become the second president of the NFA in January 1962, the balancing of incomes between agriculture and industry in the early 1960s was a matter of 'dominant urgency'.⁷¹ He claimed that it was irrational to ignore, as the government were doing, the fact that

the prosperity of the nearly 40 per cent of our population who are engaged in agriculture is a major factor in determining the buoyancy of the home market for all our products both industrial and agricultural. It is absurd to pretend - against a background of falling prices for almost all agricultural products, round after round of wage increases and shorter working hours awarded to other sections - that this does not inevitably worsen the relative position of our greatest industry - farming.⁷²

He calculated that it would take an £83 million subsidy from the government to restore agriculture to its 1953 relationship with other sectors of the economic community. The agricultural lobby were worried by the eighth round of wage increases which had been concluded in December 1961 by the government, ICTU and

the FUE. They feared that agricultural incomes would fall further behind the rest of the community and complained to the government that every class in the community was getting some improvement in income except the farmers. They felt that the trade union movement had usurped their position in negotiating a further round of wage increases with the government before they had an opportunity to advance a claim for greater state subsidisation. Moreover the NFA were deeply suspicious of Lemass who had spent all his political life in Industry and Commerce, was Dublin city born and bred and who they regarded as being no friend of the agricultural community. As Todd Andrews points out,

he had little real rapport with rural Ireland and, considering the amount of travelling he did when building up the Fianna Fail organisation, he had surprisingly little intimate knowledge of the countryside and its people. He was essentially the Dublin Jackeen with the ready wit and derisive humour so common in the city.⁷³

The NFA's demand for an £83 million subsidy gave rise to indignation in parts of the civil service. A Department of Finance memorandum argued:

it might even be said that the NFA claim goes beyond the socialistic doctrine "from each according to his ability, to each according to his needs" and is based on a false notion of what is morally justifiable to transfer from one section of the community to another,⁷⁴

while the Central Statistics Office maintained that 'the Irish farmer is no worse off as compared with non farm income than Belgian farmers and a lot better off than United States farmers'.⁷⁵ Even the Department of Agriculture, who were theoretically in favour of a larger share of national income for agriculture,⁷⁶ made it clear that 'the NFA analysis of the situation is very faulty indeed, and that their requests are most extravagant'.⁷⁷ Industry and Commerce declared that it would

be a pity to assume that any large scale transfer of present burdens from the agricultural to the non-agricultural sector could be achieved without detriment to our industries. Such a transfer would involve higher taxation and higher living costs, with their concomitant higher wages. Already it is clear that many of our industries will have a struggle to survive if we enter the Common Market.⁷⁸

External Affairs were worried that if the government assumed that it had an obligation to ensure that the level of income of the different sections of the community must be more or less equal, it would involve 'transforming our economy into something approaching a totalitarian system where the State is all-powerful and the individual secondary'. At an economic level External Affairs were critical of the NFA for postulating that the EEC represented

as it were, an El Dorado and that the farming community here is entitled to claim all the advantages which any member of the Community may at present give to its farmers. This is quite a serious matter and unless the NFA quickly realise the fact that they must face keen and probably ruthless competition within the Community, their members are likely to suffer grave consequences.⁷⁹

Lemass in response accepted that developments adverse to farmers had taken place. He argued at a meeting with the NFA in March 1962, however, that some of these could be countered by increased productivity. He did offer the farmers something of an olive branch by stating that the government would review the provisions made for the farming community in light of the overall financial situation. This would ascertain whether productivity could be increased and whether its direction could, with advantage, be changed. The NFA claimed in reply that their call for an £83 million subsidy was formulated at the time of the electricians strike in September 1961 in the hope that their demand would be seen as a restraining influence on other sectors contemplating claims for higher monetary incomes. This, however, was not the case

and the NFA while sticking to their figure of £83 million accepted that indiscriminate price support was not a practicable position.⁸⁰ At this meeting the NFA also raised the subject of relations with the Department of Agriculture. They bluntly told Lemass that they deplored the unsatisfactory relations which existed and felt keenly that this should be remedied. As they visualised it, the department and the NFA ought to pull together in harness and the individual farmer should be convinced that the department was doing its best for him even though he might not be satisfied with the result at any particular time. Notwithstanding the fact that Lemass was city born and bred he was staunchly protective of the Department of Agriculture, and said that any suggestion that the department was not pulling its full weight in the interest of the agricultural sector was entirely without foundation. *The Irish Press* put the case for the government:

to be sure the government can always be counted on to give the farmers' case a sympathetic hearing but then they have to think of the health of the economy as a whole. But for the protection given to agriculture in the home market, the cost of living would be considerably lower. In farming as in everything else, we must aim at greater productivity. Protection has served the Irish farmer a very valuable home market but for any real increase in agricultural productivity the farmers must look beyond their own shores.⁸¹

The NFA were unlikely to be assuaged by this argument. They did indeed want to expand their markets by entering the EEC but until this became a reality they were looking to the government to subsidise them through increased price support. Lemass, however, explicitly warned the NFA that if in pursuit of their aims they intended to disrupt public services, the government would take appropriate action:

if the NFA had in mind the staging of a political strike designed by economic pressure on the public, to secure concessions from the government, they could take it that the government would feel obliged, in the public interest, to take strong measures. Apart from the question

whether the NFA case had merits or not, it would be contrary to the public interest that political strikes, which had not hitherto been resorted to in this country should be tolerated.⁸²

This related to reports in the media and specifically to an interview with Deasy in *The Irish Times* two days previous where he floated the idea that the NFA might have to look to new forms of protest in their conflicts with the government.⁸³ Lemass's warning can be interpreted as a sign of deep dissatisfaction within the government as a whole with the threats emanating from the NFA. There was a feeling that the agricultural lobby could not be pleased on any issue of policy. Lemass echoed this when he wrote to Paddy Smith about the NFA's demand for greater price support:

There is a question whether any decision on which the government may decide for the further assistance of agriculture should be announced and brought into effect separately or altogether. I suppose this will depend to some extent on the character of our decisions, but rather than appear to relate our decisions to the impractical totals of the NFA proposals, I think it would be preferable to announce and apply them separately. *We will get no credit from the NFA no matter what we do.*⁸⁴ [my italics]

The government had since September 1961 accepted the principle that the farmers as well as other sections of society should share equitably in increases in the national income. Throughout 1962, however, the NFA saw no sign of their members gaining such an increase and increased their attacks on government agricultural policy. Lemass for his part, as we have seen, was of the opinion that the agricultural lobby would never be satisfied.

The NFA arrived at their figure of £83 million through a combination of two factors. Primarily they wanted the restoration at least of the agricultural position in 1960 to its relative position in 1953. This would account for £44 million. Secondly they

demanded the allocation to people working on the land of an increased income commensurate with that allocated (apparently in 1961) to industrial workers. This they calculated would reach £39 million. To the NFA the situation in relation to agricultural incomes at the time had not been created by the farmers themselves. The failure of agricultural incomes to keep pace with other sectors of the community was not due to inefficiency as Lemass had tentatively suggested when he declared that farmers could increase productivity. What infuriated Lemass and the government as a whole, particularly Paddy Smith and his officials, was that the NFA never made any reference to or acknowledgement of the extensive state aid already given to agriculture. This aid had increased from less than £5 million in 1938/39 to £13 million in 1953/54 to £26 million in 1960/61 and was estimated to reach £37 million in 1962/63. The department calculated that assistance in one way or another, by way of price support and other forms of guarantees, covered about 75 per cent of agricultural sales. Furthermore, exchequer subsidies on final produce for the year 1961 represented over 20 per cent of the value of exports of the commodities concerned. This, the department claimed, was a very high price to pay for whatever increase in production was thereby generated.⁸⁵ On the question of whether by the end of 1961 incomes in other sectors had improved or not relative to agriculture, different conclusions could be drawn depending on the starting years taken for the purpose of comparison. Lemass himself also made reference to state support for agriculture, stating:

the various aids and services provided for Irish agriculture already cost a great deal of money. In relation to national income, the Irish state supports its agriculture to a much greater extent than other European countries, even though the support rests on a smaller industrial base. Nevertheless it is unlikely that our taxpayers will not wish to support intelligent measures to raise small farm productivity and, in that way,

to make them less dependent on public support. The problem of the small farm areas is one which has to be resolved before all our aims of national development are secured.⁸⁶

Equating the ailments of the small farm sector to the aims of national development was quintessential Fianna Fail. Yet it was the rhetoric of the Fianna Fail of de Valera, not the rhetoric of Lemass the industrialiser. Whatever the merits of Lemass's sympathies towards agricultural concerns there is little doubt that he was acutely aware of the electoral support given to Fianna Fail by this sector and would seek to assuage their fears when addressing them. It is doubtful however if he believed his own oratory on this occasion. Entry to the EEC, he presumed, would harness Ireland's national development by offering its industries and productive agriculture greater opportunities in an enlarged market. It would not lessen the social and economic problems associated with the small farm.

The NFA, however, were in no doubt that agricultural incomes still lagged well behind those of other sectors and continued to predict that farmer unrest would grow unless the government took proper action to alleviate the plight of farmers. The association's general secretary Sean Healy asserted that

average incomes in Irish agriculture had consistently been below incomes in other occupations for at least half a century and at the present time farmers the world over - a few excepted - had lower incomes than their non farming counterparts.⁸⁷

To Rickard Deasy there were four main reasons for such farmer unrest. These were the increasing rates burden, a persistent decline in farm incomes, a bleak future outlook and most importantly a general lack of attention to the fundamental task of planning agricultural development more coherently:

successive governments have dealt with industrial development with vigour and enthusiasm. Although we can expect to face in a few years, in conditions of free competition, the highly developed agricultural systems of continental countries as well as the United Kingdom we have as yet not begun to assess and plan our agriculture. These plans must be comprehensive and embrace production, processing, marketing and trade policy. Farmers have been conscious of these planning deficiencies. They have for years been clamouring without avail for a fresh approach to the agricultural problem. It is precisely because nothing so far has been achieved and because there is little time left to achieve anything, that they have decided to make these deficiencies a major issue.⁸⁸

Paddy Smith refuted Deasy's charges that the government were inactive on behalf of farmers and claimed that the adverse farm income trends were, in large measure, due to international protectionist policies and artificially depressed prices in Britain, developments over which he had no control. The *Irish Independent* attempted to try to find the middle ground between the two and concluded that both could do better:

The Common Market may provide a remedy to this problem by opening continental markets to Irish farm produce. But if this brightened prospect is to be adequately availed of, much more than at present will need to be done as regards research, particularly in marketing, and in improving quality standards. A more energetic approach to these aspects of farm policy is long overdue. Money spent this way will provide a real long term improvement rather than a temporary stop gap to the erosion of farm incomes.⁸⁹

This was a point James Dillon, leader of Fine Gael, noted when he argued that

the constant nightmare of farmers is that if they increase their production they will not be able to sell it. It should be the duty of marketing boards to find and develop markets for bacon, milk products and other agricultural products, and I am convinced that this can be done if the job is undertaken with the same resolution as Coras Trachtala has shown in the expansion of markets for industrial products.⁹⁰

There was a perception within the farming community as a whole that the government was placing industrial development at the top of its economic agenda and that farmers

were being left in a policy vacuum. It was within this context that they were campaigning for a redistribution of incomes. In fact the farming lobby had been worried for quite a number of years about the question of industry superseding agriculture as the main focus of government policy. For instance the report of the Commission for Emigration, published in July 1954, included a minority report by the Bishop of Cork, Dr. Cornelius Lucey, in which he maintained that 'the neglect of agriculture for industry in recent decades is not only socially and morally indefensible but demographically unjustifiable as well'.⁹¹ Some eight years later, in November 1962, Bishop Lucey was playing the same tune, maintaining that 'small farmers are the backbone of the rural community' and charging that an atmosphere hostile to them was being created by 'economists, industrialists, and lineal descendants of the landlord class'.⁹² Yet while the agricultural industry had its defenders amongst the hierarchy, there were some in the clergy, like James Kavanagh, who lectured in social policy in UCD, who bemoaned the fact that

our farmers' organisations spend most of their time appealing to the state. How many of these organisations have done anything really worthwhile to foster co-operation to enable our small farmers to survive? How many have sent representatives abroad to seek new markets? What has been done about the better marketing of our products?⁹³

While the clergy as a whole did actively promote the idea of the agricultural sector as the heartbeat of society there was a belief within quarters of the church that the agricultural lobby should stop demanding from the state things they could do themselves. Yet the whole area of state interference in respect of agriculture was a confusing one. Bishop William Philbin of Clonfert, for instance, had supported the idea of state intervention in certain cases calling, in 1959, for the state to intervene

more actively in the land market, so as to buy out inefficient farmers.⁹⁴

The NFA were unmoved by such indications of episcopal unease. Greene, at a meeting with the government in April 1962, told Lemass that small farmers were putting pressure on the leadership over what they perceived to be a declining standard of living. He added that there was no political motivation behind any campaign that might develop and agreed that it would be undesirable that political strikes should be introduced. He did not rule this course of action out, however:

feelings of frustration and injustice were being built up and unless some concessions were made in the budget there might be local disturbances which the NFA might not be able to control... apart from the merits of the case for some concessions to the farmers, *it would be in the national interest to prevent anything which would tend to destroy the country's name abroad for political stability.*⁹⁵ [my italics]

Whether Lemass perceived what might be called Greene's advice as a threat is not clear. Yet there can be little doubt that that is what it was. The subtext of concessions for farmers in the budget was that the NFA would use their considerable power to ensure that none of their members would strike. With the government in the middle of delicate negotiations regarding accession to the EEC, the last thing it would have needed would be a farmers' strike. Yet Greene's logic is somewhat confusing. A strike by farmers, although it might hurt the government in its negotiations with the EEC, would serve only to damage the main lobbying group for EEC membership for Ireland, the farmers. Whatever the implications of Greene's comments, what is clear is that the budget delivered four days later contained some concessions in rates and the abandonment of the proposed one pence levy on milk delivered at creameries. The *Irish Press* reported the reaction of the NFA that 'the budget was a victory in

principle for the case presented by the NFA on behalf of organised farmers'.⁹⁶ By the late summer of 1962 the *Connacht Tribune* was able to proclaim that relations between the government and the NFA had improved considerably, with the government being able to look upon the position of the farmers as 'reasonably satisfactory'.⁹⁷

Putting negotiations on a formal footing

January 1963 saw the collapse of Ireland's negotiations to enter the EEC. The farming community was deeply disappointed. Their hopes of increasing prosperity in the larger common market were dashed. Once the government failed in 1963 to get inside protected continental markets through the EEC, the decade of the 1960s would become a decade of increased farmer militancy as farmers protested at what they perceived as their increasingly disadvantaged situation.⁹⁸ Relations with the government soon deteriorated to their previous level. In September of the same year the department was strongly critical of the farming lobby for leaking details of a confidential meeting to the *Farmers Journal*, which in turn had accused it of lecturing to the various farming organisations.⁹⁹ To the department, however, it was a case of misrepresentation of their position once more:

The Department's representatives ... gave the fullest possible information and invited the fullest and freest discussion of the matters in question. The meeting lasted over two hours but one of the five representatives of farm organisations left nearly an hour before it ended and this may explain how you got the wrong end of the story in this case also. Incidentally the fact that a confidential meeting of this kind cannot be held without leakage and public misrepresentation obviously raises doubts as to how far such consultation can be continued.¹⁰⁰

Serious differences between the government and the NFA also arose in late 1963 over

the withholding of rates in Kilkenny by a proportion of farmers who had the support of the NFA. For Lemass if the NFA were involved in illegal activities, the government would be compelled to take whatever measures the situation required. He told Deasy that the NFA could not expect 'to ride two horses at once and that a wish for closer cooperation with the Department of Agriculture could not be reconciled with a course of action which would make conflict with the government inevitable'.¹⁰¹ In many ways the withholding of rates in Kilkenny mirrored events of less than three decades earlier. Kilkenny was a strong farmers country and had been one of the Blueshirts' strongholds in the early 1930s. Indeed the very first appearance in public of the 'blueshirt' came in Kilkenny in April 1933.¹⁰² Moreover Kilkenny was at the heart of an anti rates campaign in the summer and autumn of 1934, where the county council had a strong anti-Fianna Fail majority and refused to co-operate fully in the collection of rates. This resulted in the county council being dissolved by order of the Minister for Local Government.¹⁰³ Lemass and Smith would, in all probability, not have forgotten such incidents. Thus Lemass declared that a campaign of this kind, struck at the very roots of representative government:

If agitation of this kind could succeed in any degree whatever, or even seem to succeed, or even so develop as being capable of being represented as having succeeded, it could bring the whole administration of local and central government into disorder. This is the road to anarchy and I want to make the Government's position in this regard clear beyond any possibility of misunderstanding. We will not allow it to happen.¹⁰⁴

Gibbons, although he incorrectly records that the strike occurred in 1962, is undoubtedly right in saying that it received enormous support amongst farmers. What is important in his discussion of the issue is its conclusion. Gibbons claims that Deasy turned the issue into one of principle and states that it was only resolved after 'Deasy

negotiated the calling off of the rates strike on the secret promise of Lemass that the NFA would be granted permission to engage in an annual pre-budget review of the agricultural sector'.¹⁰⁵

Gibbons may be correct here as entering 1964 the Kilkenny rates controversy had still to be resolved. Yet by this time the government were in the process of redefining their relations with the agricultural lobby. The NFA were to receive formal government recognition: in future the government would welcome regular and full discussions and consultation with them in the formulation of agricultural policy, both broad and specific. For Paddy Smith the government's difficulty had been in finding a 'basis for fruitful cooperation while the NFA reserve the right to be destructively critical of every move made by me to help farmers, and to use meetings with me and my officials as the basis of biased attacks on us and on government policy'.¹⁰⁶ He thus considered that the government might as well be dealing with the NFA on a formal footing in the future. He was of the opinion that a well organised farmers' organisation had a really valuable job to do and that it was in his own interests to work with them and give a fair hearing to any proposal of a constructive nature that they might put before him. On 28 January 1964 Lemass sent a memorandum to the NFA stating that while the government was concerned at the lack of unity and cohesion amongst farmers' organisations they did recognise that

the NFA are interested in all branches of agriculture, and they welcome the prospect of regular and comprehensive discussions with the NFA in connection with the formulation of agricultural policy in the broadest sense, as well as their practical co-operation in respect of specific areas of agriculture. ... It will be the ordinary practice of the Minister for Agriculture to inform the NFA about pending changes in his Department, proposed new schemes ... and to consider any representations they may wish to make to him in this regard.¹⁰⁷

In the Dail Lemass repeated his official recognition of the NFA:

We recognise that the NFA has a special status amongst farming organisations insofar as it is interested in all branches of Agriculture and we made it clear to them that we welcome the prospect of regular comprehensive consultations and discussions with them in connection with the formulation of agricultural policies in the broad sense as well as their practical co-operation in respect of the different aspects of agriculture. This special status will be taken into account by us in appointing farmers' representatives on boards and so on.¹⁰⁸

While the NFA received formal government recognition, Smith was disturbed at the whole thrust of Lemass's economic policies. After Lemass took over as Taoiseach in 1959, Smith had found it increasingly difficult to accommodate himself to Lemass's economic and social viewpoints. As Joseph Robins notes,

Smith, the archetypal countryman, had shared de Valera's conservative vision of Ireland as a largely pastoral society based on traditional values which would withstand excessive inroads from socialist notions likely to promote a more dependent and less harmonious society'.¹⁰⁹

Fundamental to Lemass's approach, however, was, as we have seen, the development of an important industrial sector, a questioning of the efficiency and merits of existing industries, and a closer relationship between the government and the trade unions in the interests of economic progress. Indeed Lemass's coopting of the farmers into a formal negotiating stance with the government is mirrored in his attitudes to the unions. Smith, however, saw the courting of the unions as sacrificing rural to urban interests. By this time it would appear that Smith was a friend of no one. His trials with the NFA had taken their toll on him and he launched a series of bitter attacks on the trade union movement. He objected to Lemass's efforts to settle an eight-week long building strike as indicative of the place of urban interests in the Lemass government. The implication was that agriculture was having to take a back seat.

Thus on 7 October 1964 he offered his resignation, the first Fianna Fail minister to do so on a policy issue. His resignation letter is littered with attacks on trade union leaders, describing them as 'dishonest' and 'incompetent' and their case for a 40 hour week as 'tyranny'.¹¹⁰ Lemass gladly accepted Smith's resignation, reportedly announcing it to the press before Smith could do so himself. He subsequently appointed Charles Haughey, his son in law, to replace Smith. Smith's views were those of the farming community in general. As Gearoid O' Tuathaigh has pointed out, once the trade union movement began to move to centre-stage in the new debates on Irish economic and social development

it began to seem to many farmers that they were in danger of being relegated, if not exactly to the margins of Irish politics, at least to a more secondary role than they had traditionally enjoyed. Predictably, they felt threatened, and resolved to remind the government of Sean Lemass that they were still a formidable power in the land.¹¹¹

Thus one can see the protests of the NFA in the light of the growing strength of the unions' influence on the Lemass government. While one can see both Lemass's courting of the unions and his formalising relations with the NFA as the beginnings of a corporatist-style approach to government in the early 1960s, in that a formal political structure was put in place which integrated the NFA and Congress as socio-economic groups through a system of representation with the government, the farmers' organisations and the farming community in general were extremely wary of Lemass.

As 1963 drew to a close, state-farmer relations were at a low ebb. The farming lobby's disappointment at losing out on entry to the enlarged market of the EEC had only made them more determined to advance their cause by every means possible.

The government, however, continued to find it difficult to maintain harmonious relations with the farming bodies. An increase in government subventions, in 1963 such that the cost of these agricultural supports to the taxpayer for the first time exceeded £40 million, did not satisfy the NFA. Moreover they proclaimed that the increase was entirely due to them. Lemass echoed the frustrations of the government:

Notwithstanding the dimensions of this support to agriculture, notwithstanding the substantial increase in the volume of this support in recent years, the Government were getting very little thanks from the professional spokesmen of farmers' organisations. I want to make it clear that we are not looking for thanks ... But I want to say that I, and all the members of the Government party, are becoming completely fed up with the constant propaganda which is being circulated among farmers that these provisions were made, this assistance given, and these new schemes of aid to agriculture devised not because we wanted to do so but because we were forced into giving them by reason of pressure and agitation. This is not true; it was never true and it never will be.¹¹²

He also claimed that ordinary farmers in the community had a very lively appreciation of what the government had done and was striving to do to improve the situation for them. His quarrel was with the NFA, not ordinary farmers.

Yet there can be little doubt that ordinary farmers looked to their respective organisations for leadership and indeed blamed the government for what they saw as their increasing difficulties. Both the NFA and the ICMSA were mobilised from the bottom upwards.¹¹³ Any improvement in the general position of agriculture would be credited to their leadership, not to the government. Thus it was in an atmosphere of mistrust and suspicion that state - farmer relations were conducted in this period, a time when the government were attempting to broaden Ireland's industrial base and in which the farming community feared they would be left behind as industry boomed

in a rising tide of prosperity. Yet this period also saw the formal recognition by government of the role of farmer organisations in the formulation of policy. It was perhaps naive of Lemass to expect that, having invited the farmers to sit at the policy table, they should abandon the confrontational approach that had in their eyes won them that approach. For all their Blueshirt antecedents, by the early 1960s the NFA had come to be seen by Fianna Fail ministers as a troublesome but essentially apolitical grouping: ten years earlier they regarded them simply as Fine Gaelers on tractors. The depoliticisation of interest group politics, as seen in the formalisation of relations between the Fianna Fail government and the NFA can, be viewed as an example of how far Lemass had gone in attempting to create new political relationships and structures in the Ireland of the early 1960s.

Chapter Five

Ireland and a Wider Europe: The EFTA negotiations 1957-1961

Looking at EFTA

This chapter deals explicitly with the Irish government's negotiations to join EFTA, thus its chronology deliberately reverts back to 1957 when the initial steps were taken to set up such a free trade area. In February 1957 the Council of the Organisation for European Economic Cooperation [OEEC] initiated negotiations to establish a free trade area in Europe. Its objective was to establish a region within which there would be no tariff barriers or other restrictions to trade, although the already existing EEC and each of the other countries within the proposed trading bloc would maintain protective defences against the rest of the world.

As a member of the OEEC since 1948 Ireland participated in the negotiations during 1957 and 1958. Two points were of particular importance to the Irish. These were the future of tariffs on agricultural products, and the proposals to give special treatment to underdeveloped countries (later known as countries in course of economic development) by extending the period in which tariffs might be eliminated and by providing financial assistance if required.¹ Originally these countries were to be Greece and Turkey; the Irish government, however, also hoped to be included in this category. The prospect of a European free trade area embracing the member countries of the OEEC was not viewed by Irish policy makers with any great enthusiasm given that the dismantling of protection was seen as a serious threat to Irish industry. Furthermore the removal of barriers to imports into Britain would

eliminate Ireland's preferential position in that market vis-a-vis other OEEC countries.² Yet the weakness and instability of the Irish economy after a generation of self-government and the evident failure of traditional policies to achieve their declared objective led many to question the validity of these policies and to seek effective alternatives. As Garret FitzGerald pointed out at the time:

The emergence of the Free Trade Area Plan, and its presentation to the Irish public, could scarcely have been more opportune ... and the interest, even excitement which this proposal has aroused throughout the country provides remarkable evidence of the existence of this new and receptive climate of opinion.³

Three working parties were set up by the council of the OEEC in March 1957: Working Party 21 which would deal with the general constitution of the proposed free trade area, Working Party 22 dealing with the special position of agriculture, and Working Party 23 to deal with the position of countries in course of economic development. It was to the latter that the Irish government turned their attention. At a meeting held on 9 October 1956 the second inter-party government decided that,

acting under the direction of the Taoiseach, the secretaries of External Affairs, Industry and Commerce, Agriculture, Finance and the Taoiseach should examine the probable effects on Ireland's interests of an association between the proposed Customs and Economic Union and the other member countries of the OEEC in a Free Trade Area.⁴

This was the genesis of the four secretaries group which was to play the key role in moving Irish economic policy from a protectionist framework to one where interdependence with other European economies was assumed. Seven meetings were held before a memorandum was issued on 18 January 1957. The report pointed out that in considering the question of Ireland's participation in a free trade area, the government had to take into account not only the economic considerations arising but

also general considerations of national policy affecting Ireland's participation in a movement towards closer association of the countries of Western Europe. As T.K. Whitaker has pointed out,

it was taken as granted by Irish policy makers from an early stage that economics and politics were mixed in a European context. We realised that serious issues had to be faced on both fronts when we first debated entering EFTA.⁵

At this stage, however, economic considerations were still paramount and it was these which took up the majority of the memorandum. While acknowledging that the establishment of the free trade area was intended to secure the economic benefits of a unified market of 250 million people, providing the opportunity for specialisation, lower cost production, more productive investment and constantly growing output of goods and services and rising real incomes, the memorandum noted that this of itself would not ensure that individual countries would share proportionately in the expected benefits. It was also uncertain as to whether investment and readaptation funds would be established for the purpose of assisting any member countries which would otherwise suffer through having to fulfil the obligations of membership. Whether Ireland joined or not, the formation of a free trade area and the emergence of an integrated Western European market of 250 million people were developments which would have profound implications for the Irish economy, necessitating a fundamental reappraisal of economic plans and policies. Thus the government was forced to consider not merely the effects, favourable and unfavourable, on the economy as it then stood on the advent of a free trade area, but also the question of whether participation in such an area, or the adoption of some different policy, would best promote the expansion of the economy in the future.⁶ Amongst the specific

considerations the government was concerned with were the effects of assuming an obligation to remove existing protection progressively over a period of years and of foregoing the right to impose further protection against countries within the area. It advocated the possibility of the inclusion in the agreement of provisions for escape clauses related, for example, to balance of payments difficulties, special arrangements modifying the obligations in favour of member countries like Ireland whose economies were not fully developed, measures to avoid unfair competition, for instance dumping, and investment and readaptation funds.

After a lengthy analysis of the major sectors of the economy it became clear that Industry and Commerce and Agriculture were the most fearful regarding Ireland's position. Industry and Commerce came to the following conclusion:

As regards a large section of existing industries, the Department of Industry and Commerce can see no prospect of their survival, even as suppliers of the home market, except with permanent protection. The Department of Industry and Commerce can see no prospect of a significant expansion of industrial exports from Ireland to the Continental part of the Free Trade Area even if we were members of the Area and could thus enter this market without any tariff barriers.⁷

The Department of Agriculture saw events in much the same light and saw 'little prospect of a significant expansion of agriculture exports from Ireland to the Continental part of the Free Trade Area even if we were members of the Area and agricultural products were freely traded by all members other than Britain'.⁸

Industry and Commerce submitted an appendix to the report reinforcing its case, citing the main reasons why protection should continue. It claimed that without protection, 60 per cent of industrial employment would disappear and estimated that

100,000 jobs would be directly lost, to say nothing of the consequential falls in employment that could be expected in other sectors. This objection was recognised in the report and a cautious approach was advised. Agriculture also recommended that a definite stand should not be taken, claiming that our 'final attitude should be determined in the light of the results of the proposed negotiations with Britain due to be held later in 1957'. Ultimately the report drew attention to the dangers inherent in the state of the economy:

Ireland has reason not merely to be worried about the setting up of a Free Trade Area but about her future economic and political prospects generally. It is obvious that we can avoid economic stagnation and continuous loss of population only by making the most strenuous and urgent efforts to raise the efficiency and volume of production both in agriculture and in industry. If a Free Trade Area is established and we had to accept from the start the full obligations of membership, those existing industries which need permanent protection (and therefore could not adjust themselves over the transitional period) would go to the wall. Few new industries could be established in the absence of a protective shield and a guaranteed home market.⁹

This report has come in for scathing historical criticism. Girvin asserts that, produced at the height of the recession, it 'reflects the stagnancy in policy formation by this time. It is surprising that such a report makes no attempt to offer positive proposals but continues to assert the primacy of traditional policy'.¹⁰ Lee is equally harsh, claiming that both Industry and Commerce and Agriculture appear as 'virtually burned out volcanoes, clinging to recipes that had failed to deliver the goods and the jobs in recent years, whatever degree of success they may have achieved in earlier decades'.¹¹ Furthermore, as Garret FitzGerald pointed out at the time, Ireland had a labour force of 1,225,000 of which about 100,000 were employed in industries manufacturing or processing goods that were protected. Of this figure about half had

been employed in these industries in 1926, before protection was introduced, and the direct influence of protection on the level of employment could not therefore be assessed at more than 40,000 - 50,000 additional jobs even if one assumed that there would have been no increase in industrial employment during those previous thirty years.¹² This was most unlikely. The existence of a tariff protecting a particular commodity did not necessarily imply that all the manufacturers engaged in producing that item required the protection or would be unable to operate profitably without it. In some instances tariffs protected the less efficient producers only and the elimination of such tariffs could well have had no effect on their more efficient competitors, except, perhaps, to bring them more business as the weaker firms were eliminated. This, however, was something Irish firms did not have in their psyche. As Domhnall McCullough has pointed out:

Irish firms at the time were not really interested in trying to gain business from their competitors. If a rival firm went bust there was a feeling of sadness, because these were usually people you knew well and dealt with.¹³

Whether firms who were operating at less than maximum efficiency simply because they could earn a profit with methods aided by tariff and quota protection would 'bestir themselves to improve their efficiency and so stay in business if tariffs and quotas were gradually to be withdrawn'¹⁴ is a moot point. Irish industry was stuck in the mindset of protectionism. As Loudon Ryan pointed out in 1955:

the fact that a finished product was being imported in quantity was taken as sufficient reason why its production in the Irish Republic should be encouraged. The size of the import duty that was imposed seems to have been determined by what an existing or prospective firm thought necessary to ensure its production here. There is no evidence that producers had to prove their efficiency before protection was granted. Nor is there evidence that the size of the tariff imposed was related to what an efficiently organised firm would require to

render its operations reasonably profitable.¹⁵

Thus haphazard and indiscriminate protection became the norm with the result that industries which had been developed since the 1930s made only a negligible contribution to the country's exports. Yet policy makers, particularly within Industry and Commerce, were most reluctant to tamper with any aspect of protection.

After considering the report the government as a whole showed a similar lack of ambition and foresight when it contended that no commitment to join the proposed area should be entered into until every possibility had been explored into securing adequate safeguards as a country in the process of economic development. No initiatives were to be taken until it became clear that special arrangements, which would enable Ireland to enter the area, were conceded. J.C. Nagle has defended the position taken by Agriculture as 'the only one practicable at the time. We were in a very difficult situation. Britain was our predominant market and we had to consider all aspects of policy with that in mind'.¹⁶

The negotiation process

That was the position the Irish delegation were to take at the meeting of the council of the OEEC fixed for 12 February 1957. It is worth noting that at this stage the Department of Finance was counselling against any approach which assumed that the Irish economy was static and that the country was prepared to give up all opportunities of further economic expansion.¹⁷ Its new secretary, T.K. Whitaker, questioned the wisdom of backing a policy of sheltering permanently behind a protectionist blockade. For the dynamic Whitaker it was not simply a matter of

economic theory but something that bore directly on the hopes of future development. Rather than dwelling on the difficulties inherent in dismantling protection, he looked towards 'the undoubted adverse consequences of being left stranded on a high and narrow protectionist plateau on which acceptable living standards could be provided only temporarily and for a diminishing number of our people'.¹⁸ At a Cabinet meeting on 8 February 1957, it was decided to issue a formal statement voicing general approval of the idea of a free trade area:

In accordance with her general attitude to movements by European countries towards closer economic association, Ireland welcomes the proposal to form a European Free Trade Area. While her attitude to the question of participating in an area will, as in the case of other countries, be determined in the light of consideration of her own national interests, Ireland views with sympathy this latest movement towards closer association among European countries and wishes the proposal every success.¹⁹

J.J. McElligott, at this stage Governor of the Central Bank, supported Whitaker's stand and in early 1957, on behalf of the board of the Central Bank, he went on record in favour of Ireland joining EFTA:

taking the long view the board was of the opinion that it would not be in the best interests of this country to remain aloof from the main stream of European economic development and that the disadvantages which would result from failure to join the proposed Free Trade Area were likely to outweigh the temporary adjustments necessary in our economy consequent on a decision.²⁰

McElligott, legendary for his adamant refusal to contemplate government intervention in the market, noted that serious consideration would have to be given to the impact of the area on the Irish economy and so was of the opinion that it would be more advantageous for the government to be inside rather than outside it. While this cannot be interpreted as a Pauline conversion to Keynesianism by McElligott, it

is significant that at this stage even he was of the opinion that the country could not operate economically in isolation. McElligott, although always a free trader in the abstract sense, had overseen the preeminence of protection in his role as secretary between 1927 and 1953. Sean Cromien notes that McElligott's support for EFTA can in many ways be linked to the fact that

he was a sponsor of Whitaker and he was open to ideas like EFTA as philosophically he would have seen it as a classic free trade idea. I think also he had reached the conclusion that protectionism had had its day and a new economic philosophy had to be put into place.²¹

Whitaker emphasised the need for closer association with some larger economic unit, arguing that

it would be a sad commentary on our industrial and agricultural policy over the last thirty years if we could now choose only between two alternatives of (a) continuing to fall behind other countries in material progress, with an unabated outflow of emigrants, or (b) economic reintegration with the United Kingdom. Whatever difficulties it may involve, the European free trade area offers us a better prospect than either of those alternatives and we should hesitate long before we would decide to stay out. At the moment it was obviously the right policy to try to secure the most favourable terms of membership.²²

At the first meeting of Working Party 23, held on 18 March 1957, Ireland indicated that she would be submitting a claim for special treatment. This was to be based on the belief that the aim of EFTA should be to establish conditions which would enable every member of the OEEC to enter the area without fear of serious damage to its economic fabric. This Ireland would be unable to do unless she received special treatment in the area. In the meantime a vigorous debate was going on within the principle departments about the route to be taken. Agriculture in a memorandum to the government in April maintained that

as Britain will continue to be the predominant market for our agriculture generally, our policy with regard to the free trade area and

the common market should be coordinated with a policy of ensuring, on the one hand that any special advantages we have in the British market should be preserved and developed, and on the other hand, that any trading difficulties are alleviated. In this context the ultimate fate of Britain's trade preferences in the Irish market would appear to be a consideration of much importance, which should not be left out of account in taking final decisions regarding membership of the free trade area.²³

A month previous Industry and Commerce advanced the view that they

might agree that we could offer to submit ourselves for examination (say in three years time and at successive three year intervals) and to accept the results of such examinations. It was also possible that in the last resort we might be able to agree to make an initial reduction of say 10 per cent in our tariffs, subject to exemption for certain sensitive industries, provided the choice was left to us.²⁴

This was significant in that it showed that Industry and Commerce were themselves not content to let things drift in the policy area. Although MacCarthy's tone is hesitant and a number of years later he would argue bitterly with Whitaker about protection, nevertheless he also realised that association with some sort of trading bloc might have some benefit for Irish industry. In April the government decided to submit a memorandum to Working Party 23 which would include:

an intimation to the effect that Ireland is willing to submit herself to independent examination, at suitable intervals, by the appropriate institutions of the Free Trade Area and to assume obligations of membership when it has been established, as a result of such examination, that her economy has attained a better relationship with the economies of those member countries of the Area which are at present more highly industrialised than Ireland.²⁵

The Irish Ambassador in Paris, William Fay, who was chairman of Working Party 23, however, urged the government to present its submission in a more 'optimistic' fashion. He suggested the application should note that Ireland welcomed the idea of

the creation of a large free market, which might at last provide a solid basis for the development of Irish industry through exports for which the government was anxious. He argued that the submission should declare that such development was 'up to now frustrated by the limits of the small home market' but that the creation of a free trade area would enable the government 'to compete with the best in Europe and thus make a substantial contribution to the success of the free trade area'.²⁶

Eventually the theme of Ireland's memorandum submitted to the working party in May was that she could not hope to share in the benefits of a free trade area unless the obligations of membership were modified so as not to deprive the country of its freedom to protect its industries over an extended transitional period.²⁷ As *The Statist* pointed out some months later when negotiations were still ongoing, 'there is no doubt that entry into a free trade area on a basis of equal responsibility with partners vastly better developed industrially would strike a death blow to the Irish economy'.²⁸ While Whitaker undoubtedly realised this, he wanted to see a situation develop where Ireland would one day be able to compete with these partners. It was with this in mind that in March 1957 he had produced a memorandum on the state of the economy where he declared that something would have to be done economically or the achievement of national independence would prove to have been a futility:

In the political field the primary national objective is the re-unification of the country. Until that is achieved, however, and no doubt after it has been achieved, the principal economic problem of the Irish Government will continue to be the safeguarding of political independence by ensuring economic vitality. Without a sound and progressive economy, political independence would be a crumbling facade.²⁹

It was with this memorandum in mind that the official application to EFTA was drafted. In essence it was an analysis of the Irish economy. It began by outlining the late start Ireland had made in the industrial field, 'as prior to independence no autonomous policy for the development of Irish industry existed'. It added that a lack of industrial tradition, managerial skill, adequate risk capital and native raw materials coupled with her proximity to such a heavily industrialised country as Britain, and Ireland's insular position, made the new state's task of establishing Irish industries particularly difficult.³⁰ The memorandum pointed out that for most nations joining it, EFTA would have the attraction of helping them to expand their exports. This, however, would not be the case, in the short term at least, for Ireland. In contrast, the setting up of the free trade area would gradually remove the advantages, duty-free entry to the British market had hitherto conferred on Irish exports. Ireland was entitled to this benefit under the provisions of the Anglo-Irish trade agreements of 1938 and 1948. This, it declared, would mean that our 'industrial exports to Britain are bound to be reduced. And this, be it noted, will happen whether Ireland joins the Free Trade Area or not. Thus the establishment of the Area will strike a serious blow at this country's industry against which no counter-action is possible'.³¹ What worried the Irish government was that entry to the area on the basis of the assumption of the general obligations of membership would mean gradually dismantling protection and exposing Irish industries to outside competition at the same time as they were trying to adjust themselves to the loss of the special position they enjoyed in the British market. They accepted the argument that the protected sector could not stand up to such a test. As Whitaker has since commented,

while I was arguing very strongly that we could not go on simply as we had been, I realised, as did others, that a gradual reduction in

protectionism was what was important. Industrialists and the Department of Industry and Commerce had been so used to protectionism that the very thought of its removal made them shudder.³²

In their memorandum the Irish government recognised that there was an urgent need to develop an industrial sector comparable to that of other Western European countries. There was a lack of balance between agriculture and industry with only 15.3 per cent of the labour force engaged in manufacturing industry. Furthermore a high level of unemployment, aggravated by the degree of underemployment on the land and the scale of emigration which was higher than the natural increase in the population, highlighted the importance of Ireland securing industrial economic growth. The government's prime economic objective at this stage was outlined in the memorandum:

If the home market could be preserved by the maintenance of protective measures, Irish enterprises would become more attractive as an investment proposition to our people at home and to the investor from abroad. According as capital was forthcoming through the growth of the habit of investment among our people, and through the attraction of money, technical skill and enterprise from outside, development could be expected to proceed on the pattern of other European countries and in a measurable time to reach a point when the assumption of the obligations of membership of the Free Trade Area would become a practical proposition.³³

The measurable time the Irish government had in mind was twenty five years, within which Ireland would be prepared to submit to independent examination her economic position at suitable intervals. Once Ireland's economy had attained a satisfactory relationship with the economies of other member countries, the government would assume obligations of membership to the extent justified by such an improvement. As Maher points out, the presentation of the Irish case for special treatment is

noteworthy in two respects. Primarily it marks some softening of the hard-line attitude previously adopted by Industry and Commerce in that it was accepted that there must be a time limit to protection. Secondly the proposal was silent on the treatment of agriculture in the Free Trade Area.³⁴ The government was prepared to accept the Department of Agriculture's view that the best option for Irish agriculture lay in exploiting bilateral arrangements with Britain. In April 1957, as we have seen, Agriculture had maintained that as Britain would continue to be the predominant market for Irish agriculture generally, the policy with regard to the Free Trade Area and any common market should be co-ordinated with a policy of ensuring that any special advantage Ireland had in the British market should be preserved and developed and that any trading difficulties should be alleviated.³⁵

In this context the ultimate fate of Britain's trade preference in the Irish market would be a consideration of much importance which could not be left out of account in taking final decisions regarding membership of EFTA. This is a significant point. Ireland's potential free trade area status was most profoundly influenced by its relations with its main trading partner, Britain, which absorbed almost 80 per cent of Irish exports. Although most of this was in the form of cattle and dairy produce, about 13 per cent consisted of industrial products through which the Irish government hoped, eventually, to diversify their economic structures. Of these no less than two thirds enjoyed preferential margins in Britain which would be eroded over the period of British tariff dismantling. Reciprocally, Britain enjoyed preferential access on about a quarter of its exports to Ireland, namely fuel, textiles, iron and steel, clothing, paper and chemicals. If Ireland stayed out of EFTA and agriculture was excluded, as

the British were insisting it should be, Britain would be able to keep these arrangements because it could maintain the Irish preferences on agricultural exports to Britain. For the Irish to stay out made sense to British policy makers.³⁶ It also made sense to Industry and Commerce and Agriculture since they would be able to continue to keep domestic industry behind high tariff walls. For example many items of clothing carried a duty of 75 per cent. Thus for Ireland to join the free trade area on equal terms was a non starter. In addition to the inevitable loss of the British industrial export market, it would have to jettison its option of abandoning industrial protection on the domestic market as well. Neither was it in Irish interests to insist upon the inclusion of agriculture since to do so would be to sacrifice Ireland's privileged position on the British market, with precious little chance of finding compensation elsewhere in the face of Danish and Dutch competition. Thus, as we have seen, Agriculture advised caution and a preservation of existing links with Britain. In respect of this link with Britain, what the Irish government would be unable to do, if it were a member of EFTA, would be to grant Britain a continuation of its industrial preference. This is an important point in that British exports to Ireland at this stage were not much smaller than those to West Germany. Britain, in the shape of the President of the Board of Trade, Reginald Maudling, urged the Irish government not to make hasty decisions in relation to entrance of EFTA. It was British fear of losing the Irish market which prompted this action.³⁷

The Irish case was considered at a meeting of the working party in Paris on 28 May 1957, at which certain supplementary information was given orally by J.C.B. MacCarthy of Industry and Commerce, in support of the submission. The majority

of the various delegations of OEEC countries took a sympathetic attitude to Ireland's submission, although some nations felt that the Irish case was unduly pessimistic.³⁸ Accepting that the Irish presentation was very much an outline one, the working party sent a delegation to Dublin in June 1957. Its principal objective was to gain further information on the issues of tariffs, agriculture and capital. In the first instance the delegation wanted to know whether tariffs would be taken off during the 25 year period mentioned in the Irish memorandum and if so would this be done on a global or on a selective basis? Furthermore they questioned whether Ireland was proposing to wait until after the examination by the Free Trade Area organisation before making tariff reductions or would it agree in advance to a tariff reduction scheme? They asked what was the government's position in relation to preferential tariffs? The delegation wondered whether existing practices by other countries were harmful to Ireland's agricultural exports? Finally, under the heading of external capital they wanted to know whether external finance was needed for industrial development.³⁹

Before the government formally replied with a memorandum dated 13 July 1957, MacCarthy had informed Fay that Ireland could not guarantee in advance to have removed all quotas after a twenty five year period although that was its aim: 'I did not say that the government would undertake not to reduce existing quotas. What I did say was that they would not impose new quotas. ... I do not want you to think from what I have said that in practice we will reduce existing quotas'.⁴⁰ While this made MacCarthy's position clear the report of a meeting of the committee of secretaries on 12 June noted that 'the Government would wish that the discussions with the working party delegation and negotiations generally with the OEEC should

proceed on the assumption that Ireland will go into the Free Trade Area if at all possible'. It was with this view in mind that the memorandum dealt comprehensively with the tariff question and advanced several supplementary proposals:⁴¹ It argued that Ireland be exempted from any obligations to effect automatic tariff reductions for a period of ten years following the coming into effect of the first series of tariff reductions made by the other member countries. Furthermore during that period it argued that Ireland should be free to impose new tariffs or increase existing tariffs, on condition that no tariff imposed or increased during the period would exceed 50 per cent ad valorem. Moreover it maintained that Ireland would embark at the end of the period on an automatic scale of tariff reductions at an annual rate of 5 per cent of each tariff rate then in operation. These reductions would then continue, subject to appropriate escape clauses, until all tariffs were eliminated. The memorandum then advocated that on the coming into operation of the first series of tariff reductions in member countries, Ireland would make a reduction of 5 per cent of the rate of duty then operative on all high ad valorem tariffs, i.e. tariffs of 50 per cent or over. It was estimated that some 150 tariffs representing approximately half of the total number of Irish tariffs would be involved in these reductions. In relation to tariff preference in favour of British goods, the government merely stated that at that stage nothing could be said on the subject and added that 'the provisions relating to these preferences constitute an integral part of a bilateral trade agreement'.⁴²

In respect of agriculture, the government outlined three obstacles in expanding agricultural exports to member countries. These were the promotion of home production of commodities to a point where import requirements became unduly

compressed, the high and frequently changing tariffs in most countries which was making it impracticable to organise exports on a rational and continuing basis and administrative regulations in continental countries which made economic marketing much more difficult. The memorandum pointed out that the first difficulty applied to most European countries which purchased Irish exports, but that the other difficulties did not apply to Britain on account of Ireland's special arrangements with her. An expansion of Ireland's agricultural exports to member countries generally, it was hoped, would involve the removal of such difficulties.

The government made it clear that it was 'most anxious to avail of external capital for the financing of national development' and confirmed its interest in any proposals that would be formulated for the creation of finance institutions in the free trade area.⁴³ It hoped to be given the opportunity of availing of any capital funds made available through such institutions. The government ended their case for special treatment with an assurance that more than adequate measures were being taken to obtain increased investment. They attached an extract from the Minister for Finance's budget speech of 8 May 1957, which spelled out the economic objectives of the government and its commitment to attaining them:

The examination of our affairs which we have been pursuing in connection with the European Free Trade Area proposals will undoubtedly show up defects in our economy and should guide us in making the improvements so urgently needed. The direction and rate of our future advance will depend on the decisions we take now. There are no easy expedients by which our difficulties can be solved.⁴⁴

This speech also claimed that the government had full confidence in the inherent soundness of the economy and its ability to provide higher living standards for an

expanding population on the firm basis of an increase in production and exports. Dr. James Ryan, the Minister for Finance, who had considerable business experience in his native Wexford, believed that the relaxation of restrictions and the assurance of new reliefs, together with the maintenance of the State capital programme at a high level and the prospects of a continuing improvement in exports, should strengthen business confidence and stimulate production. He asserted that the resultant growth of opportunities for work should effect a marked improvement in the unemployment situation and check the outflow of people from the country.⁴⁵

When Fianna Fail returned to office in 1957, Lemass recognised that existing investment and output were not sufficient to maintain the level of demand he believed necessary to obtain full employment. He believed that the promotion of industrial exports was the best way to achieve export led growth. The evidence available to him suggested that indigenous industry could not fulfil this objective.⁴⁶ He therefore proposed to amend the Control of Manufactures Acts and use other available institutional devices to attract foreign investment to Ireland. In the Dail he put forward a strong case for reconsidering these Acts and announced that export led growth could only be achieved if foreign industry contributed capital, technology and experience to Irish industry. As Tadhg O’Cearbhaill has pointed out of Lemass:

He was a fair minded, unprejudiced man. I mean that if you could show that schemes brought up were useful, or that old schemes and ideas were redundant, he would go with the new. To some extent that was the case with the Control of Manufactures Acts.⁴⁷

Lemass was careful to point out, however, that the main fulcrum for change would remain indigenous industry.⁴⁸ This may well have been to satisfy those within the

Fianna Fail party. How he proposed to resolve this conundrum is unclear. Indigenous Irish industry was, as the government themselves had made clear, extremely weak and suffered from both a lack of entrepreneurship and adequate risk capital. Furthermore protectionism had given industrialists a particular mindset, which however hard Lemass was trying to shake off would prove extremely difficult. Colm Barnes, one of the more dynamic industrialists of the period, has talked of the difficulties Lemass experienced with industry:

Looking at it from the vantage point of our company, Glen Abbey, for example, we had predictable, secure markets, sometimes we were even short of workers at particular times. What Lemass was trying to change in many ways that state of mind of being comfortable. Companies had great security and quite acceptable profit. But it wasn't a large enough economy, it wasn't and Lemass knew that well.⁴⁹

Thus, while Industry and Commerce in mid 1957 was advocating strong protection for Irish industry and a bleak future, Lemass, back as minister, was contemplating new strategies with Europe being to the forefront. He was prepared to remove all restrictions on inward investment if companies exported most of their production. Yet most companies as we have seen were not thinking along the same lines. Theoretically Lemass might have wanted to bring industry with him in his efforts to attract outside industry and make indigenous industry begin exporting; in practice it was an undertaking of colossal proportions as in effect it was an attempt to completely overhaul industrial policy since the beginning of the state.

Ireland's claim to membership

In mid-October 1957, the chairman of Working Party 23, William Fay, submitted his initial report.⁵⁰ He noted that some points of fundamental importance had emerged

as common in the submission of the four countries (Ireland, Iceland, Greece and Turkey). These related to the fact that all sought a transitional period wherein provisions would permit the less developed countries to maintain a greater degree of tariff protection than was to be allowed in the treaty establishing the free trade area. There was also agreement that within the institutional framework of EFTA, financial resources should be available for assisting the economic development of the less developed countries so that they would attain quickly a position in which they would be able to undertake the full obligations of EFTA. The four countries of working party 23 then combined to work out a common agenda for the purpose of harmonising their respective positions. Iceland left soon afterwards mainly because her exports consisted almost entirely of one product, fish. This was an area in which European protectionism was rampant and fish was not an industrial product.⁵¹ Thus Iceland could only secure markets on a bilateral basis, which meant she had to guarantee reciprocal purchases of industrial imports. This would have been impossible without the use of trade controls which would eventually have been outlawed in a free trade area. Ireland, Greece and Turkey advanced with the preparation of a common document. Ireland submitted a discussion document to the OEEC on 19 December 1957, under the heading 'Special Financial Arrangement For Countries in process of Economic Development'.⁵² It sought capital under two headings: readaptation of the existing protected industries to enable them to meet the new conditions created by the area and the establishment of new industries to form the basis on which Ireland could eventually assume the full obligations of membership. The government saw no way of resolving this dual problem without the assistance of the more developed countries in the area. It thus advocated the setting up of an investment bank to make medium

and long term loans and guarantees, on a commercial but non profit-making basis, to meet the capital requirements of manufacturing industries, be they for readaptation or for expansion, in the developing countries. The government also sought assistance in the financing of basic infrastructure in developing countries.

Prior to this meeting the government held a number of meetings with the British on the proposed area. At the initial meeting Lemass, the chief Irish negotiator, outlined the government's position and advance the reasons why Ireland had asked for a special regime in Working Party 23. The Irish government he argued

did not see any substantial prospects for increasing either industrial or agricultural exports to the Continent in the context of a Free Trade Area. On the other hand, Irish industrial exports to Britain would in due course lose the preferences which they at present enjoy and this would be a serious set-back to the Government's development plans. ... The Irish Government considered that an increased rate of economic expansion was vitally necessary and it was vitally necessary that the loss on industrial exports to Britain should be made good in the agricultural sector.⁵³

At a subsequent meeting on agricultural matters the Irish ambassador Con Cremin maintained that the government 'could not see a prospect of selling much more on the continent'. He argued that while 'in time there would be some spilling over of Free Trade Prosperity. We could foresee a loss in industrial exports to Britain'.⁵⁴ Such a loss would, of course be disastrous for the Irish economy. Later J.C. Nagle, at this stage, deputy secretary at Agriculture wrote to Lewis Croome of the British ministry of agriculture, fisheries and food on the proposals for agriculture in the free trade area and voiced more concerns:

We note that the general tenor of the Agreement is in the direction of a more liberal regime for agricultural products and, as an agricultural exporting country, we welcome this approach. Our particular concern, however, is that there should be nothing in the Agreement which

would prevent the continuance and development of the existing special trading agreements between the two countries.⁵⁵

While it had been agreed at recent ministerial talks that such continuance should be the objective it is noteworthy that Agriculture were worried that the British draft proposals for agriculture was not expressed sufficiently 'as to cover obligations under our bilateral Agreement with you'. At this stage the government were worried that within EFTA, 'there were no great prospects for agricultural trade and discrimination by the Six seemed inevitable' with Nagle arguing that while agriculturalists welcomed the diversification of the economy: 'as a result of the Free Trade Area they would suffer considerable losses in this trade.'⁵⁶ Lemass did tell the British, however, that as far as industry was concerned the government did realise that 'in the Free Trade Area protection would ultimately have to go'. The government was hopeful, however, that improved standards of living in Europe would in time lead to an expansion of demand for manufactured goods which would be a stimulus to economic activity 'even in fringe countries like Ireland'. He intimated that such a "spill-over" process would not materialise until the more highly developed centres in Europe 'where activity was already concentrated were further developed to the point at which factors like labour shortages made it necessary for industrial promoters to consider outlying areas'. It was with this in mind that the government was asking for time to consolidate existing home industry before asking it to stand up to tariff cuts.⁵⁷ Basically the government were looking to achieve a number of objectives from their negotiations with the British. Its principal position was that

the British should be asked to support, in the negotiations concerning the Free Trade Area, the proposition that there should be a recognition of a special economic relationship between this country and Britain - particularly as far as trade in agricultural products -, that such

relationships must continue in the Free Trade Area and that any bilateral arrangements made by virtue of it should not be regarded as being incompatible with the rules of the Area.⁵⁸

The result of these various negotiations with the British was a visit by Maudling to Dublin in January 1958 for which the government set out the above objective. Of paramount importance also, however, was the support of Britain, as of yet uncoming, for Ireland's case of special treatment as a country in the process of economic development.⁵⁹

On the industrial front a substantial proportion of capital formation in Ireland had consisted of basic infrastructure and this seemed likely to continue for the immediate future. The government's argument was that the availability of external funds for infrastructural projects would release funds for the financing of competitive industries thus providing further and wider opportunities of employment. These proposals were underwritten by a government strategy to attract investment into the country. The IDA had embarked on an active campaign to secure the establishment in Ireland of factories based on external financial and technical participation. A delegation had been sent to the United States and to a number of European countries and the government spoke of its taxation and other incentives towards industrial expansion which had been recently introduced and which were available to foreign industrialists who established industries in Ireland.⁶⁰ Thus the government strongly supported the Greek proposal that facilities and incentives should be provided in the advanced countries for the purpose of positively encouraging business enterprises towards countries in the process of development. Resulting from this report, a joint note by

the Greek, Irish and Turkish delegations was circulated to Working Party 23, detailing the harmonisation of their respective submissions.⁶¹ It stated that acceptable solutions had to be found in regard to agriculture and fisheries, a European Development Authority providing long term loans for infrastructure, a European Investment Bank to be operated on a commercial basis, and a readaptation fund from which free-grants would be made. These would enable the provision of investments for the stimulation of capital investment from other member countries. Once these agreements were in place the three delegations would accept initially a 'reduction of 5 percent of all the existing ad valorem tariffs exceeding 50 per cent, to be made in the first year of the first phase of the transition period, or by the end of the first phase'. Furthermore they demanded an exemption from any obligations to effect further tariff reductions for at least 10 years from the completion of the reductions or until the commencement of the third phase of the standard transition period. Finally they insisted that they be given the freedom to impose new tariffs for new industries or to protect existing industries which could find themselves in difficulty during the exemption period, and to increase during the same period existing tariffs provided 'that in no case would a tariff be imposed exceeding 50 percent ad valorem or an existing tariff be increased above that rate'.⁶²

These proposals were considered by the OEEC and, at the request of other countries, the common formula of the Greek, Irish and Turkish delegations was subjected to various revisions. By the autumn of 1958, the effect of the changes made was fivefold. It was agreed that the extended transitional period for underdeveloped countries should be twice as long as that for developed countries subject to a

maximum of thirty years. There would be an initial exemption period which would be twice as long as the first stage for developed countries or ten years, whichever was the longest. During the exemption period reductions would be made in tariffs exceeding 50 percent by 5 per cent of the rate in the first year and 5 percent in the sixth year. There would be a principle of review by the member countries wherein recommendations would not be binding but would be considered 'with the utmost attention' by the country concerned. Finally action against 'abnormal imports' would be taken only within the framework of whatever general provision would be made in the Free Trade Area Convention for dealing with dumping.⁶³ Some officials involved in the OEEC had doubts about the wisdom of Ireland categorising itself with Greece and Turkey. J.F. Cahan, Secretary- General of the OEEC, told an audience at UCD in May 1958 that Ireland was not underdeveloped in the sense that Greece and Turkey were. He went on to castigate the pessimistic mindset that prevailed in Ireland:

I have heard a certain amount of rather pessimistic comment since I arrived. People who say that Ireland can never develop; that there is no hope. I think that it is desirable, from time to time that one should sit down and count one's blessings before abandoning oneself to this kind of black despair.⁶⁴

For Cahan the free trade area offered a challenge to the less developed countries. Ireland, he argued was not underdeveloped but less developed. He contended that Ireland should draft itself a programme 'of what it is that you think you ought to achieve in the way of development, in the next five or next ten years'. It is interesting to note that this lecture was delivered at a time when Whitaker was in the final throes of completing Economic Development. It served to reinforce Whitaker's belief that the development of Irish economic policy needed a radical shakeup.⁶⁵ Cahan explicitly proclaimed that Irish policy makers should attempt to foresee progress, set

themselves targets, judge as time advanced how near these targets were to being achieved and not leave it to the 'Good God or the whim of the moment' in deciding how development was to take place. Cahan went on to argue that the Irish government should look to Europe in its search for economic progress, within which the OEEC would do all in its power to help. This help, however, would have to be linked with indigenous growth:

you will get nowhere if you merely rely upon the help of others. The foundation of your development must be produced here by you, yourselves. We, who are outsiders, can give you help, but it will be useless unless you put your own backs into it as well.⁶⁶

Moreover some British policy makers were asking if it was worth including such underdeveloped countries as Ireland at all with R.W. Clarke of the Treasury, later to become Sir Otto Clarke, maintaining that they 'would be more trouble than they were worth'.⁶⁷ Indeed the placing of Ireland, Greece and Turkey in their own working party from the start of the negotiations could well be taken as a sign of their importance, or more correctly their lack of importance, in the whole structure of thinking in EFTA.

Irish ambitions to enter such an area received a dent from a different source when in late 1958 events took a dramatic turn as the negotiations for a free trade area were suspended after a French veto. The French, suspicious of British motives from the outset in excluding agriculture, declared through their Minister of Information Jacques Soustelle that

it was not possible to create a free trade area as had been wished by the British, that is to say, by having free trade between the six countries of the Common Market and the eleven other countries of the O.E.E.C., without a common customs tariff, and without

harmonisation in the economic and social spheres.⁶⁸

Almost immediately after this failure, seven members of the OEEC started secret negotiations to form a free trade area among themselves. In June 1959, these talks came into the open and six months later the Stockholm Convention establishing EFTA was ready for signing.⁶⁹

The Irish government was not invited to the preliminary discussions held in February 1959, probably because the seven nations did not want to be encumbered with the kind of problems associated with Ireland during the OEEC negotiations. In Ireland the prospect of isolation gave cause for concern in some official circles, particularly within Finance. Economic Development had proclaimed in its first chapter that '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'.⁷⁰ Now the European offer seemed less attainable than ever.

Finance's emphasis was on the dismantling of protection and the evolution of an external economic policy which would be export led. Thus, the thought of being outside any of the major European trading block was anathema to them. At this junction the Irish government had two alternatives in its quest to protect its interests. One was to seek participation in EFTA and thus secure a seat at subsequent negotiations. The other course was to work for closer economic relations with Britain. The second was adopted in recognition of the preponderant place occupied by Britain in Ireland's external trading relations. As Whitaker has maintained: 'at that stage

considering so much of our exports went to Britain, it was really the only substantive option we could take'.⁷¹ The government decided that since three-quarters of Irish exports were going to Britain and Northern Ireland, it should seek to explore the possibility of building on the preferential arrangements of 1938 and 1948 before turning to Europe in its efforts to expand Irish exports and develop the economy.⁷²

In the spring of 1959, the committee of secretaries, of the four departments mainly involved, Finance, Industry and Commerce, Agriculture and External Affairs, undertook an indepth review of economic relations with Britain to examine how those relations might be changed in order to gain the maximum benefit for the future development of the economy. This committee, under the chairmanship of Whitaker, carried out studies for the cabinet committee of these departments and reported to it. Lemass and Maudling, President of the Board of Trade, met in London while this review was in preparation on 26 May. Lemass bluntly told Maudling that Ireland had little interest in joining a free trade area of the seven because it saw little prospect of developing trade with members of the seven other than Great Britain and if Ireland did join, it would stand to lose far more than it would gain.⁷³ He reckoned that Britain would also lose if Ireland joined. The main hope for the smaller economies, argued Lemass, was economic association with larger groups but, if Ireland was to enter any group, it would have to be a group including Britain. The real fear for Lemass and the government was that Ireland would undergo appreciable losses, both industrially and agriculturally, as a result of the formation of the seven, while at the same time, Irish markets in the countries of the EEC would diminish as a result of the protectionist policy of the community. Maudling's response was lukewarm. He

agreed with Lemass's summation on to the position of smaller economic entities, but he felt there was bound to be an OEEC solution sooner or later, and the British view was that they could make it sooner by forming the block of seven. What the British had in mind was 'to form two blocs with the objective of securing a seventeen member area later on'. This disturbed Lemass who 'felt that there was a case for a joint look of the Anglo-Irish Agreement, with a view to seeing what were the prospects of increasing trade'.⁷⁴ At the end of the meeting both sides decided to prepare an analysis of the position so that an exchange of views could then be arranged through the Commonwealth Relations Office. While this meeting held out little hope of significant changes in Anglo-Irish trading relations, the Irish government intended to press ahead with their initiatives. After consulting with Finance, Agriculture and External Affairs, it was Industry and Commerce which drafted the government's response. Two weeks after the initial meeting the government presented a memorandum to the British authorities on the likely loss of industrial trade due to the proposed free market of the seven. The memorandum argued that participation by Britain in an industrial free market of the seven, involving the early elimination of trade barriers to the importation of industrial goods from her partners in the arrangement, would result in an expected significant contraction of exports of Irish industrial goods to Britain. Such loss would be unavoidable even if any tariffs applicable to Irish goods were reduced 'pro tanto' with reductions made by Britain on corresponding goods from their partners in the new free market. Stress was also laid on the fact that the bulk of Irish agricultural exports were in competition with those from countries which might become members of the free market of the seven, and that in the then state of the international market for agricultural products any

concessions to exporters inside the seven would almost certainly have serious repercussions on Irish agriculture and on the Irish economy as a whole. Furthermore on the industrial front

a reduction in industrial exports to Britain would be a matter of the most serious concern ... They have confidently looked forward to a continuation of the steady expansion of these exports according as sound industrial projects with capacity in excess of home markets requirements are established and developed. Instead of any such expansion, however, Irish industry is now faced with the prospect of contraction.⁷⁵

For the government such a result would have disastrous consequences, adding to the already serious problems of under-industrialisation and would in all probability seriously interfere with the efforts of Irish manufacturers to achieve and maintain economic production, as the establishment of exclusive trading blocs on the continent would tend to preclude the diversion to other European markets of goods which would have been exported to Britain. Moreover such a contraction would reduce Ireland's capacity to import and would thus adversely affect a market in which British goods enjoyed preferential treatment. The British made no specific response to this memorandum but both governments had already arranged to consider the possible effects on Anglo-Irish trade arising out of the EFTA negotiations for which further talks would be held as necessary.

In any event the report of the committee of secretaries was submitted by the Minister of Finance, Dr. Ryan, for consideration by the government on 8 July 1959.⁷⁶ It attempted to give future economic relations with Britain a new angle. It recommended that any review of the Anglo Irish trade agreements should not be confined to seeking concessions within the frameworks of existing agreements, merely to compensate for

losses arising out of whatever new trading relations Britain might build up with Europe. It argued that what was needed was a different and wider approach which would have as its objective a substantial and significant improvement in general economic relations with Britain. Ultimately it called for an improvement in such relations, claiming that 'it is necessary for further economic expansion if we are to retain the market outlets we already enjoy, secure the improved outlets necessary for further economic expansion and avoid being squeezed between the emergent trading blocs in Europe'.⁷⁷

Ultimately the report looked towards acceptance by the two countries of joint responsibility for development in their mutual interest. This would involve the mobilisation of the resources of the two countries to encourage British investment in Ireland. In short the primary objective would be to give effect to agreed measures designed to take account of, and remedy, Ireland's less developed position. This memorandum which strongly bore the imprint of Whitaker saw the gradual elimination of protection as a necessary condition for the creation of a healthy industrial sector. As Maher has concluded, it was all to the good if such a policy could be used in a bilateral context to gain additional trading advantages.⁷⁸ Industry and Commerce did not concur with the Finance view and declared that the consequences of reducing protection could be extremely serious for Irish industry. Taking this objection on board, the government decided on 10 July 1959 to initiate discussions at ministerial level with Britain, to seek a re-examination of the basis of the trade arrangements between the two countries and the establishment between them of a closer economic association. The government sought:

1) an assurance of expanding markets in Britain for Irish agricultural products of reasonable and stable prices

2) the preservation, to the utmost extent that may be practicable, of preferential treatment for Irish products, other than agricultural products, in the British market.

3) the grant, in consideration of the arrangements on the lines at 1 and 2, of a greater degree of preferential treatment for British industrial products in the Irish market.⁷⁹

As can be seen, this fell some way short of Finance's concept of joint responsibility.

Two days before the government's decision, Britain and Denmark entered into a bilateral agreement providing for the reduction of customs duties on imports into Britain of certain Danish agricultural products. This was a setback for the Irish government as one of its principal aims was to secure improved trading relations with Britain before Britain entered into any agreements with its partners among the seven. The implication of this agreement, as *The Statist* noted, was that within two years the ten per cent tariff on Danish bacon imports would have been removed with the result that 'imports of Irish bacon, already small, will be further reduced or eliminated unless they become more competitive in price and, more particularly, unless urgent steps are taken to improve the quality and uniformity of the Irish product'.⁸⁰ Ultimately any provision for opening the British market more widely to imports of farm produce and food from continental Europe would reduce the value to Ireland of her free entry facilities unless she was able to produce and market her goods more competitively. As freer trade developed within Europe the Irish were afraid that there would be a weakening of the special trading relationship with Britain as other

European countries, primarily in EFTA but possibly in a wider trading association, gradually achieved parity with Ireland in gaining free entry to the British market.

Negotiations with the British

At a meeting of the Foreign Trade Committee, of which Lemass was chairman, in June 1959 the whole question of foreign trade was discussed. Lemass succinctly summed up the problems of Ireland's weak bargaining position in relation to EFTA: 'because of the liberal Irish import regime there is virtually nothing to offer to the other side'.⁸¹ Industry and Commerce then prepared a preliminary study on this matter which was circulated to Agriculture, External Affairs and Finance. In the meantime, with this in mind representatives of the British and Irish governments met on 13 July 1959, with Lemass and Maudling heading the negotiating teams. The British were reluctant to embark on talks along the lines suggested by the Irish representatives, pointing to the difficulty of according to Ireland more favourable treatment than that granted to the commonwealth. For their part any new Anglo-Irish trading relations would have to coincide with their obligations to the commonwealth. Over the ensuing months various documents were exchanged between the two sides. The Irish government's ultimate position was that they would be prepared, on a sector by sector analysis, to negotiate such progressive reductions in the prevailing rates of duty on British products as would give British suppliers full opportunity of reasonable competition while affording Irish industries such protection as might be necessary for their progress.⁸² This measure represented a substantial concession which would virtually guarantee to British goods an increasing share of the Irish market. After this meeting Agriculture maintained that 'we cannot afford to stay outside a regional

grouping and that in particular we should strengthen and develop our relations with our most important trade customer Britain'.⁸³ This attitude was supported by the other departments and was the strategy which Lemass pursued in his dealings henceforth with the British. Early in 1960 Whitaker made it clear in a memorandum on Ireland's position in relation to free trade in Europe that the government's 'immediate concern is to redress and improve the balance in her trade relations with Britain'.⁸⁴

At a meeting between Lemass and Maudling on 12 February 1960 the British made it clear that they would not be able to take any positive steps to steer investment into Irish industry. With regard to agriculture it was decided that further negotiations should take place in order to conclude a trade agreement. This agreement was produced on 13 April 1960, and saw the British government state that they would not reduce or eliminate any preferential margins on Irish agricultural produce without consultation with the Irish government. The Irish government undertook to initiate another review of protective duties and other import restrictions on British goods. The government retained the power, subject to consultation, to impose additional duties or other import restrictions where it was satisfied that a reduction of protection following a review was in danger of causing material injury to an established Irish industry. Finally, provision was made for further yearly meetings to discuss trading relations and views on agricultural policies.⁸⁵ The Anglo-Irish Trade Agreement was the result of a concerted effort by the Irish government to inaugurate a movement towards closer economic ties and some sort of free trade initiative with the British. While the resultant outcome was modest enough it was a start to the way Finance

wanted the Irish government to pursue its economic policies. Tadhg O'Cearbhaill has maintained that the Anglo-Irish free trade agreement was 'seen as a half-way house by the government and was very much a preparation for entry to the Common Market'⁸⁶ and in this context the agreement can be seen as another step on a winding route to some form of economic association with Europe.

Formulating a definitive position

As the details of Anglo-Irish trade were being discussed, Lemass wanted to formulate an Irish position on EFTA. He had four questions he wanted answered on the free trade area. Primarily he wanted to know the short and long term implications of joining EFTA on the Portuguese terms: Portugal had obtained terms which allowed tariff reductions to be spread over twenty years and secured the right to introduce new tariffs up to 1972 as long as they were removed by 1980. Secondly there was the minimum agricultural concessions required from Britain for entry. Thirdly, he wondered would it be more advantageous to seek a free trade area with Britain alone; and finally there was the question of the compatibility of an Anglo-Irish free trade area with Britain's obligations to EFTA.⁸⁷

Finance, Industry and Commerce, Agriculture and External Affairs coalesced to present a memorandum to the Taoiseach on 8 February 1960 outlining a response to these questions.⁸⁸ Opposing views were taken by Finance and Industry and Commerce regarding protection. Industry and Commerce considered it essential to have some arrangement under which the government would be free to maintain protection and to take whatever steps would be necessary to promote industrial

development and exports. Only when Irish industry in general had reached a point where tariff reductions and quota dismantlement could be adopted without too much risk to Irish industry could some sort of free trade development be adopted. Thus the principle of a free trading period during which tariffs would be maintained was crucial to Industry and Commerce. Entering a free trade area would in effect be a betrayal of indigenous Irish industry.

Finance, however, argued that economic expansion depended on greater industrial efficiency, reflected in lower costs and better quality. Failure to achieve this objective would jeopardise the future of Irish industry and the employment it brought, whether Ireland participated in a free trade area or not. It opposed the view that it was necessary to obtain a period of freedom from undertaking any obligations to reduce protection. Finance, furthermore, maintained that participation in some form of free trade arrangement was the most advantageous context in which to effect a gradual reduction in tariffs which would be necessary to ensure progress in industrial efficiency. Thus they favoured entry on the Portuguese terms, but did not want a free trading period which they believed would be a psychological as well as an economic mistake. In a European setting, an external commitment, provided it was not too severe, would be more effective and beneficial than a system operated entirely at the discretion of the domestic government. External Affairs supported Finance's view. Agriculture, however, saw little benefit in joining EFTA unless it would be possible to secure agricultural arrangements with Britain which would be substantially better than those operating between Britain and the other members of the seven. This memorandum addressed the question of whether it would be more in Ireland's interest

to seek 'free trade' arrangements with Britain alone than with EFTA as a whole. Agriculture gave a positive response. Finance and External Affairs agreed that it could be possible to gain substantially better agricultural advantages from a free trade agreement with Britain alone. They were both, however, still anxious for Ireland in the long term to associate itself with EFTA. Industry and Commerce was consistent in its opposition in that it maintained that much the same industrial risks would be present in a free trade area with Britain alone as there would be in one with EFTA. One former official of that department maintains that there was nothing unusual in this negative approach from Industry and Commerce:

Nobody in the department was willing to question the very essence of protection. The whole European question was one they did not want to face, so they answered no in all their memoranda on the issue. In many ways it was a state of mind for them.⁸⁹

Officials from other departments are not so harsh on Industry and Commerce. Charles Murray, Whitaker's chief assistant in the preparation of Economic Development, has argued that the position of Industry and Commerce in relation to protection was 'understandable enough when you consider that it had been the mainstay of that department for so long'.⁹⁰ Tadhg O'Cearbhaill maintains that

Industry and Commerce regarded itself as the protector of Irish industry. In a way it was like a lawyer with a brief and their brief was to protect Irish employment. That was the strongest aspect in their thinking. If foreign goods were to flood the market as they feared, then Irish jobs were at risk. They felt it was their job to draw attention to this scenario and they did so in strong language. This was in order to discourage the Department of Finance from advising the government on taking what Industry and Commerce would have regarded as precipital steps.⁹¹

In essence between 1958 and 1960 Ireland's external trading position had changed greatly. The creation of the two trading blocs in Europe and the rapid progress towards freer trade had forced the government and the policy making community in

general to reconsider the whole economic future of the country. It was within this context that the Irish government entered into trade talks with the British in 1959. Ireland, as *The Statist* pointed out, faced a two-fold task in the light of such new trading conditions in Europe:

She must first produce food at increasingly competitive prices if she is to retain her position in the British market. Secondly, she must seek markets outside Britain on the European Continent and elsewhere for the increasing surplus of foodstuffs she must produce if she is to attain economic prosperity.⁹²

Whether Ireland joined EFTA or not the government still had to expect that they would suffer a certain weakening of their preferential position in the British market due to the reduction of British tariffs vis a vis other EFTA members. Yet by joining EFTA Ireland would not necessarily be in a position where rapid dismantling of her own tariff barriers would be called for. Portugal had been accepted for membership of EFTA on quite indulgent conditions, and Irish policy makers could expect to secure membership on equally favourable grounds. Moreover EFTA itself had been set up 'essentially as a bridge building step between itself and the EEC'.⁹³ If an alignment between the two could be secured, Ireland's interests would best be served by being at the conference table. As Desmond Fisher in *The Statist* put it:

If the process of linking the Six and Seven achieved success - and even the most pessimistic would hope for some progress eventually - it is a safe guess that a bit of further give-and-take not only in the industrial but in the agricultural field will be necessary. In this regard it is vital for Ireland to be in at the start. Otherwise undertakings to the other European food exporting countries may be such as to leave very little scope for entry by Ireland into Continental markets.⁹⁴

Looking at the development of Europe from this perspective it did seem quite logical for Ireland to be a member of EFTA. At this stage it appeared undesirable for Ireland to be isolated from European developments. Any country that was not in either of the

two trading blocs would find itself out in the cold when decisions concerning the development between EFTA and the EEC were being discussed.

The question of protection

The main consequence of Ireland joining EFTA would be the necessity of a methodical reduction in tariff barriers. Most of Ireland's industries set up since the 1930s had failed to develop any export capacity and it was questionable whether some of them would be able to justify their existence in a free trade environment. Yet whether Ireland joined EFTA or not it had become abundantly clear to most of the policy community that some step towards dismantling or at least reducing tariff barriers was essential. Lemass had pointed this out many times since becoming Taoiseach. A unilateral tariff reduction would, however, bring with it strong internal political tensions thus some were arguing that it would be more palatable to undertake the exercise within the context of a formal undertaking inside a European grouping, where there would at least be some compensating advantages and Ireland would be able to exert at least some nominal influence on decision making. If Ireland joined no trading bloc then her tariff reductions and quota increases would have to be unilateral. If she joined EFTA, however, then the effect upon Irish industries of the removal of trade barriers would be at least partially offset by the new markets opened up for Irish products. As Garret FitzGerald, who at this stage was Chairman of the Executive Committee of the Irish Council of the European Movement, declared:

While the potential markets for our goods in the Continental Little Free Trade Area countries may not be of first importance they are certainly better than nothing - and may indeed prove a good deal more valuable than is at present supposed. Current estimates of the value of these markets to us tend to be based on the assumption that the efficiency of our industries, and the vigour of our export drive will be

no greater in the future than they are today whereas current trends in Irish industry, if reinforced by the spur of the gradual removal of protection, may before long transform the scene, and greatly enhance the value to us of free access to new foreign markets.⁹⁵

Moreover the Irish European Movement argued that if Ireland did not become a member of EFTA, the government could well find it difficult to put across a programme of unilateral tariff reductions. This failure to move ahead with the dismantling of protective tariff barriers at a time when public opinion had to an extent been prepared for such a development, they argued, could well have adverse consequences for the economy: 'increased pressure on industry to improve efficiency and to become even more 'export-conscious' will be needed if we are not to fall behind in the very early stages of the European economic race'.⁹⁶

With the opening up of markets and the possibility that Ireland would enter a European trading bloc, some in industry were in favour of joining such a group. In June 1957 the president of the Cork regional group of the FIM maintained that Ireland would have to join EFTA because 'within a very short time it will be economic suicide to stay out'.⁹⁷ However *Irish Industry*, the journal of the FIM, which was an ardent advocate of indigenous industry, insisted in one of its editorials that if the government pursued its European agenda 'the country is being allowed the option to commit economic suicide'.⁹⁸ They did bemoan the fact, however, that there seemed to be a lack of awareness among industrialists as to the importance of the free trade issue. There did seem to be a recognition that there would be a net benefit to Irish entrance of a European trading bloc, although it was understood that huge tariff cuts could not be withstood by the majority of Irish companies. Looked

at from a global perspective Irish industry was relatively weak, but it had been given some security by protection. This whole ethos was now being threatened. Ultimately there was not a large enough economy to support firms who only wished to supply the home market and a situation developed whereby industry split into two. As Colm Barnes has pointed out: 'those manufacturers who felt they might survive had little incentive to unite with firms that were likely to fold'.⁹⁹ This was a point which had been inferred by Jack Fitzpatrick of the FII when, writing in the Catholic journal *Christus Rex* in 1958, he declared that one could divide industry into two broad categories, namely those which were efficient and economic and those which were efficient but not economic. The first group, he argued, were exporting competitively and selling their goods in world markets and their problem in regard to the free trade proposals was whether they required a protected home market to enable them to continue exporting. The second category, however, represented

industries which were set up under the post 1932 policy of protectionism, including industries which were established by sincere men and women who were willing to invest their savings in the best interests, as they saw them, of the community. ... It would obviously be unjust and immoral that these should be sacrificed without compensation. They must examine their position to see if they can survive, whether they could readapt their factories so as to make them competitive under such circumstances. ... The problem is vast and complex but one thing emerges clearly and that is that a free trade treaty which makes no provision for dealing with the problem of industries which are efficient but, through no fault of their own, not economic, will not have dealt fairly with all aspects of the problem.¹⁰⁰

This was a point echoed by Tadhg O'Cearbhaill who, as we have seen, maintained that the Department of Industry and Commerce were very protective of those they had encouraged to enter industry in the first place and were therefore reluctant to sell them out to the orthodoxies of free trade.¹⁰¹

In any event by 1960 the FII were cautious about entering EFTA. Its then president J.C. Tonge, who had succeeded Fitzpatrick, argued that if the government were to enter the free trade area it would be necessary to safeguard the industries built up under the protective system. He acknowledged that industrialists would have to study ways and means of survival under what would be new conditions but stated that 'it will be extraordinarily difficult to adapt industry to Free Trade'.¹⁰² He maintained that this could only be done with the full co-operation of the government and the trade unions. The FII was asking the government to render special assistance during the transitional period while it needed the contribution of the trade union movement as large numbers of workers were involved in industries that might be affected and they would have to receive careful consideration to avoid hardship. In early 1960 the FII had advised its members to be prepared for a progressive reduction in protective customs duties, and asked each firm to consider its own position and that of its respective industry in conditions of free trade. They also carried out their own pilot survey in the weaving industry which suggested to them that while the concept of Europe was generally accepted to be fairly desirable, its consequences on Ireland could be disastrous. As Colm Barnes, who replaced Tonge as president in 1961, declared:

there was definitely a fear in the minds of the traditional industrialists in particular that a reduction in tariffs would see most of them going to the wall. While some saw the advent of EFTA as a challenge to be met head on, because after all businessmen are supposed to be free traders, most members of the FII were horrified by the prospect.¹⁰³

This attitude was summed up by Tonge when he declared that 'in general Irish industry does not want Free Trade, but at the same time it realises that Ireland cannot live in complete isolation from the rest of Europe'. The FII were, however,

determined that Irish industry would become more efficient and more cost conscious with productivity and marketing receiving prime consideration. The FII saw a way forward in Europe in the context of getting their member firms to specialise in certain products with less variety than had hitherto been the case. If they could secure markets for their products abroad they believed that they could make progress while facing an era of reduced tariffs:

We are facing a challenge which should bring out the best, but if the best is not good enough the outlook for Irish industry, to say the least, will not be satisfactory. While not blaming our Government in any way for advocating a policy of reduction in tariffs, industry feels that the Government must bear full responsibility for the effects of any such reductions. Irish industry has confidence in the Government and is confident that its interests and indeed the interests of the country generally will be safeguarded in any difficult times that lay ahead in the EFTA era. Industrialists will endeavour to manage under Free Trade to the best of their ability, opposing no section but co-operating with all in the national interest.¹⁰⁴

A problem for the FII, as Colm Barnes has since pointed out, was that it was a comparatively weak body and although it might call on the government to safeguard Irish industry, it did not do so from a position of strength:

In 1960 when there was a lot of debate about EFTA the FII was dominated by the textile and clothing industries, yet the federation itself was very weak, hardly representing a third of those who were industrially employed. It lacked resources, effective membership and was on the whole a pretty feeble organisation. If one read about it at the time in the newspapers you would have got the impression that it was a strong body but that was not the case. Behind that apparent strength lay a great weakness. The consequence of this was that the government of the day could do as it pleased within the industrial sector. It was only with the development of the CIO that the FII acquired more confidence and became more of an influence.¹⁰⁵

Ultimately the FII, although evidently worried about free trade, were willing to go along with the government's strategy of gradually phasing out protection. Their fears were based on the premise that membership of EFTA

would bring Ireland few tangible trade advantages as this country already has free access to the British market for almost all goods produced in Ireland, while the other countries of the Little Free Trade Area are not substantial importers of Irish goods and are unlikely to become large importers even if tariff and quota restrictions on Irish products were to be removed during the years ahead.¹⁰⁶

Irish membership of EFTA would entail the removal of tariff and quota restrictions on imports from all the members of EFTA including the United Kingdom, although it was likely that the government would be able to secure a gradual phasing out of such restrictions, probably up to twenty years as in the case of Portugal. The FII while wanting increased trade for their members were worried that their members would go to the wall instead within the context of the free trade area. This problem was exacerbated by the impact that foreign industry was having on home based manufacturers of which the FII were acutely aware. An example of the anxiety felt by individual members of the FII can be seen from a letter to the Taoiseach from a pottery manufacturer in Wexford in early 1960:

I received through the post a large coloured advertisement exhorting me, as an Irish individual, to "invest in Ireland". Allow me to point out that this additional indignity has been offered to me by a Government, which has recently given a free capital grant of a quarter of a million pounds to an American firm in order to subsidise that firm in the manufacture of peat moss plant potteries at Birr, in direct competition with my old established native Irish concern. It is futile for the Government to attempt to maintain that the Birr factory has been subsidised for the "export market" because this is simply not so; the home market is already being very thoroughly canvassed in favour of Birr Potteries and what is more, the fact of the free Government grant is being used to suggest that only the new Birr factory has the confidence of the Government in the matter of peat potteries. This, of course, has every appearance of being true but for an Irish government to allow an American firm to use such propaganda in its competition with an Irish firm is rather strange. Furthermore when I applied for some small assistance to help me meet the threat of Government subsidised foreign competition I was told by An Foras Tionscal that free capital grants are available to foreigners but not to native Irish industry. Invest in Ireland indeed.¹⁰⁷

Thus by the early 1960s some in the FII were worried about the twin threats of free trade and the influx of foreign companies attempting to service the same markets. Lemass, however, was determined to bring the FII with him on the journey towards free trade and increased competitiveness. He outlined the government's views to the national export conference of the FII in January 1961. He proclaimed that Ireland was not a member of EFTA or the EEC

for the very good reason that there is no overall advantage to be gained at the present time by joining either group. In the case of the seven, Britain is by far the most important market for us and there we already have, under our bilateral agreement, for practically all our industrial goods, the trade advantages which membership of the group would confer. As far as the other countries of the seven are concerned the obligations which we would have to assume in joining the European Free Trade Area including the dismantlement of industrial protection, not only against imports from the six continental members, but against Britain as well, would outweigh any trade advantages which we could hope to get from these countries.¹⁰⁸

While this speech suggested doubts about the EFTA option and reinforced the importance of the British market for the Irish economy, the fact that there was intense negotiations on a possible entry to such a free trading bloc implied that sooner or later the government would indeed seek to find itself within a free trade association.

The decision not to apply

Whether Ireland joined EFTA or not, it seemed quite clear that her prosperity still depended on the agricultural economy. Membership of EFTA, although it would subject Irish manufacturers to unfettered competition, would provide new markets for farmers to sell their produce, although as we have seen their prime target was the EEC. Faced with the options of embarking on a process of accession to EFTA or of negotiating free trade agreements with Britain alone, the government came down in

favour of the latter, when it turned its attention to the possibility of acceding to the General Agreement on Tariffs and Trade [GATT]. Lemass in May 1961 explained why the EFTA negotiations were not pursued. Besides Britain, he remarked,

the other six members of the E.F.T.A. have not been important markets for us in the past and, while we must not of course neglect any market, it is doubtful whether the advantages we could hope to reap in those countries would satisfy acceptance of the Stockholm Convention, particularly as agriculture is expressly excluded from its provisions.¹⁰⁹

Irish interest in the free trade area had naturally stemmed from the prospect of greatly expanded agricultural exports that might have been opened up by Irish participation. The government had informed the council of the OEEC early in 1960 that its trade returns showed

our trade balance with non-sterling member countries is extremely unfavourable - in roughly the proportions of three to one. This position has recently become more serious by reason of the emergence among our partners in this Organisation of two trading groups, EFTA and the EEC.¹¹⁰

When agriculture was not going to be included in the EFTA context, Irish policy makers felt that they had no option but to revert to the old formula of negotiating independent trade agreements with Britain. Yet in many ways the negotiations had taken down one of the great psychological barriers impeding developmental progress. By these negotiations, 'an Ireland that had sought to define its identity since independence principally in terms of social patterns rooted in the country's past was to seek to adapt itself to the prevailing capitalist values of the developed world'.¹¹¹ The last word on EFTA may be left to Tadhg O'Cearbhaill who as assistant secretary in the Department of the Taoiseach at the time was intimately involved in the EFTA negotiations:

In the end we were not that enthusiastic as there was a feeling within government at the time that the whole concept of Europe would come right in the end and it was within a larger unified EEC that we wanted to be associated. Lemass was very much of that view. Policy was directed with that in mind.¹¹²

Thus the government suspended deliberations on EFTA and explored new avenues in its quest for economic development. Its immediate aim was to seek membership of the EEC. Within a month of Lemass's speech on rejecting the EFTA option, the government published a white paper on membership of the EEC which was to prepare public opinion for the official application the following month. There were still many in the administrative framework who doubted the wisdom of fully entering a European trading bloc. Con Cremin, by this time Secretary of External Affairs saw Ireland's relationship with both European trading groups in June 1960 in the following terms, when suggesting a Dail reply to the deputy secretary of Industry and Commerce on Ireland's refusal to join EFTA:

It is probable that in our circumstances association would be the most appropriate formula having regard particularly to the fact that we could not accept the full obligations of either instrument nor accord that degree of reciprocity which would be required for full membership. The terms of association on our part with either group would have to safeguard the special trading relationship between this country and Britain which is provided for in the Anglo-Irish Trade Agreements. Such association would be considered primarily as a means of enabling us to share in the benefits of a general European settlement of trade and economic relations on terms which would take account of our own economic circumstances.¹¹³

The premise that Ireland seek initially association rather than full membership of an economic group suggested that the EEC negotiations would be also be tortuous and it is to this application that we now turn.

Chapter Six

The final move towards economic interdependence:

The EEC negotiations 1961-64

Looking at the EEC

Ireland's application to join the EEC in 1961 was an ambitious move for a poor agricultural country on the European periphery. This was particularly true with respect to the difference in economic structure and society between Ireland and most other Western European states:

Table 4

Comparative Economic Growth

	Per Capita Growth		Total Growth	
	1913-1950	1950-1970	1950-1960	1960-1970
Austria	0.2	4.9	5.8	4.7
Denmark	1.1	3.3	3.3	4.8
Finland	1.3	4.3	5.0	5.1
Norway	1.8	3.2	3.2	5.0
Sweden	2.5	3.3	3.4	4.6
Switzerland	1.6	3.0	4.4	4.5
United Kingdom	0.8	2.2	2.7	2.8
Ireland	0.7	2.8	1.7	3.9
Western Europe	1.0	4.0	4.4	5.2

[Source: Brian Girvin, *Economic Development and the politics of EC entry*, p.5].

Rapid economic growth was an objective shared by most market economies at the end of World War Two. This was based on an appreciation that the goals of full employment, a growing standard of living and a welfare state would not be easily attainable if such growth was not present.¹ Yet the Irish economy in terms of economic growth lagged far behind its European neighbours. Girvin has argued that this environment and the economic trends evident within it were reinforced by a culture of contentment and isolationism. He maintains that in the first decade after the war a strong sense of public complacency is apparent with Irish public opinion believing that the depression, war and post war recovery justified the isolationist policies which had been in place since 1932. This, he claims, enhanced the tendency to isolationism, whether in economic, political or cultural matters. He cites Ireland's refusal to join the North Atlantic Treaty Organisation [NATO], GATT or other post war multilateral institutions as a further reflection of isolationism, reinforcing the conviction that national solutions were the most appropriate in Ireland's case.² Yet while Ireland was only a reluctant participant in the OEEC, and later the Organisation for European Cooperation and Development [OECD], and only accepted Marshall aid in a perfunctory manner there was a growing sense within the policy community in general that the country could not survive economically unless it shrugged off its protective mentality. As Whitaker pointed out:

it was painfully obvious there was a lack of any meaningful future in our over reliance on the British market. Thus there was no complacency within the civil service. How could there be? Our independence was threatened. There was a restless discontent as we tried to get out of the dark night of the soul.³

There can be little doubt, however, that there was many industrialists, including some in the FII, as both Colm Barnes and Domhnall McCullough point out, who would

have been quite content to carry on trading in the rather stultifying atmosphere of the protectionist shelter.⁴ Furthermore, the prospect of European economic integration was not an explicit feature of either Economic Development or of the First Programme for Economic Expansion which followed it, yet both documents recognised that the country would have to engage substantially more with western Europe in trade terms if it was to prosper economically. Though committed to change, most policy makers continued to believe that for the immediate future the country's economic prospects rested on access to British markets. Nor did the accession of Lemass to Taoiseach in 1959 mark a radical departure in this respect. Although Whitaker has stated that Lemass was as early as 1947 convinced that protectionism was outdated,⁵ nevertheless a distinction was drawn between the movement to free trade and a decision to join any multilateral organisation once Lemass was Taoiseach. The former policy was adopted towards the end of the 1950s, but the latter was avoided until July 1961. Throughout 1960 and into 1961 Lemass reiterated the view that it was not to Ireland's advantage to join either the EEC or EFTA. While examining the options, the conclusion drawn was that Ireland's economic development would not be significantly improved by membership of any multilateral group.⁶ In essence the government's and indeed the civil service's reluctance to embark on the European option can be traced to their belief that international organisations such as GATT and the OEEC 'were not likely to succeed in liberalising agricultural trade':

the basic (income support, high prices, technological progress, high output and inelastic demand) all tend to operate against trade liberalisation in agriculture and it is to be feared that the most the international organisations can do is to try to moderate the influence tending inevitably to increase protection and restrict the growth of trade.⁷

In theory the more interventionist minded but free trade led Department of Finance were all in favour of joining a trading bloc, but would only do so on terms favourable to Ireland.

Thus prior to July 1961, policy development had continued to move in a bi-lateral direction on the grounds that this would provide the greatest advantage for Ireland. Yet the decision to apply for membership of the EEC was not unexpected. As we have seen there was a large debate within the policy community on whether the country should enter EFTA. Once that option had been rejected, entry to the EEC became a valid alternative. Yet many within the policy community were deeply worried by the prospect of Irish entry to the EEC, without a simultaneous British entry. Thus for Industry and Commerce entry to the EEC would result in the

withdrawal of preferential treatment given by Ireland to United Kingdom goods, but by requiring Ireland to adopt a common external tariff which would have to be applied to British goods, would put Britain at a disadvantage in the Irish market as compared with EEC countries. It would be foolhardy to expect the United Kingdom would continue to give trade advantages, agricultural or industrial, to this country in those circumstances.⁸

They argued, furthermore, that all measures of industrial protection would have to be eliminated, with wages and conditions of competition equated with those obtaining in the highly developed countries of the EEC: 'it should be noted that the principle of adequate protection for Irish industry, including special consideration for industries not fully established, is enshrined in the existing trade agreement with the United Kingdom'.⁹ This attitude reflects and reasserts the traditional gloomy outlook of Industry and Commerce to economic development within Ireland. They were not willing to look outside habitual arrangements with Britain to expand either Irish

industry or agriculture. Yet Whitaker did recognise that Ireland could not really join unless Britain did so as well. He, however, unlike his counterparts in Industry and Commerce could see benefits to joining such an economic community.

Applying for membership

A White Paper on membership was eventually published in June 1961 which prepared public opinion for the application the following month. This flurry of activity can be attributed to one simple fact: the decision of Britain to apply. Once the government became aware of the British decision to join, it quickly prepared its application and forwarded it to Brussels to anticipate the British application. As Dermot Keogh has shown this was for public consumption in order to claim that the Irish decision was not a consequence of British pressure or example.¹⁰ While such behaviour might be considered somewhat bizarre, the application itself made sense because Ireland could not afford to be outside the community if Britain was in it. Lemass admitted that the application was inevitable once Britain had decided to apply. He told *The Economist* in February 1962:

It was Britain's decision to apply for membership that opened the way for our own application. The predominant position of British trade on our economy, as a market for our exports, and the special character of the trading arrangements between the two countries, made it difficult to contemplate membership unless Britain were also to become a member.¹¹

The EEC suggested to the Irish government in October 1961 that it should present its case in Brussels the following January. While Lemass was primarily concerned about the economic implications of membership, he did realise the political ramifications of joining the EEC. He told the secretary of his department that he considered it

'essential to the success of Ireland's application to include in the draft statement a declaration of Ireland's attitude to the political aims of the Community'.¹² While Lemass noted that correctly that membership of NATO was not a prerequisite for membership of the EEC, he voiced reasonable fears that

some countries or interests ... may be opposed, or at least indifferent, to our entry to the EEC, it would be prudent not to imply, by anything said prior to being accepted as a member that joining NATO (even with a reservation) is something we could not face in any circumstances. To do so might merely supply them with a test of membership which, as they might hope, would transfer from them to ourselves the responsibility of negating our application.¹³

Lemass's reasoning on NATO may have been influenced by a memorandum written the previous day by Ireland's ambassador to the community, Frank Biggar. He reported that the British approach as outlined by Edward Heath to the community had been received positively and while the British would encounter serious technical problems in pursuing their application, Ireland could not expect to have any lesser difficulty in this process. Indeed Ireland because she was a small neutral state could well expect more serious problems when compared to Britain which was a major European state. Biggar added that the draft memorandum for the January meeting could well be seen as suspect by the Six in that Ireland might be viewed as indifferent in its application and that the government would have to demonstrate that it was applying without reservations of any kind if it were to make its application convincing. He urged the government to redraft in a positive vein, warning that the existing draft suffered

from a failure to emphasise sufficiently at the outset our appreciation of the fact that the EEC despite its title, is first and foremost a political concept and not merely an economic organisation with a few political ideas as an afterthought.¹⁴

This was something Industry and Commerce had also warned about, though from a different angle, when they argued that

it must be remembered that the final objective of the six is political integration. What we need in this country is a combination of reasonable long term price stability in agriculture, together with a very substantial expansion in activity.¹⁵

Implicit in this statement was that Industry and Commerce saw the political developments of the EEC impinging on Ireland's economic development and her capability to make independent policy.

Biggar's memorandum stressed the means by which the official application should proceed:

we fully realise what the community is and what it is seeking to achieve. This would involve a general expression of our belief in the vital and unique importance of Western Europe for the future of humanity and the conviction that it can only play its proper role if politically strong and economically prosperous, conditions for which political and economic unity are the essential prerequisites.¹⁶

Biggar's memorandum did not, however, find favour with all in the civil service.

Nicholas O'Nuain, secretary of the Department of the Taoiseach, wrote to Whitaker a number of days later:

We do not agree with all of his comment. In particular we here do not agree that it is essential that we "inflate" the sections concerning our acceptance of the political objectives. Any judgement on this point is, of course, largely subjective but it is our feeling that the sincerity of our professions in this regard will not be assessed by the six by reference to the length of what we say but rather by our making it clear that we know what we are talking about and do so in a direct and unambiguous fashion. Above all, we here would be somewhat nervous about appearing to "protest too much". I don't think that the six generally and, in particular some of them (such as the French), would be impressed by what they might describe as "litterature".¹⁷

In between Biggar's memorandum and O'Nuallain's rebuttal a revised draft of the application statement was circulated on 1 January 1962 and it contained a brief reference to political aspects. However the statement was careful to place Ireland's application in the context of its christian heritage and its commitment to christian values in a European context: 'Indeed for some centuries after the break up of the Roman Empire, Ireland was a haven of spiritual and intellectual life in which the essence of the European tradition was preserved and from which it was brought back again to many continental lands'. The statement insisted that Ireland had favourably viewed the various movements towards European Union, but noted that while Ireland had actively participated in the OEEC and the Council of Europe it had not been able to join NATO:

The fact that we did not accede to the North Atlantic Treaty, despite our agreement with its aims, was due to special circumstances and is not an expression of any principle of neutrality nor does it qualify in any way our positive attitude towards the ideal of European unity.¹⁸

Two lines were suggested by the Department of External Affairs through its secretary Con Cremin. The first involved withdrawing the application if NATO membership proved to be a prerequisite for entry, the second was to insist that special circumstances were involved and that Ireland would join the organisation if partition was ended.¹⁹ Moreover Hugh MacCann, Ambassador in London, had reported to Cremin that 'Britain is not keen that EEC membership should be coterminous with NATO' which might explain External Affairs' attitude of attempting to avoid the NATO question.²⁰ According to External Affairs the Taoiseach was in favour of the second approach. This led Finance to take a vigorous line on the application with the result that Cremin and External affairs were in the main ignored. External Affairs had

to an extent been fudging on the application since late December 1961 with the result that Finance grabbed the initiative moving the application forward. Thus Finance took the lead in promoting the Irish application and its secretary played a central role in the background discussions in Dublin and subsequently in Brussels.²¹ As Whitaker has stated:

What was at stake was the economic independence of the country, thus we, in Finance, felt that we had to give the lead and take the strongest line possible in arguing for entry to the community. I felt really that it was the only way we could advance in an economic sense.²²

Thus Finance insisted that joining the community was imperative if Ireland was to survive economically. It had shrugged off its previous reticence regarding the economic benefits of entry. With the British committed to entry, Finance now saw the EEC as the only place to be. It was not open to Ireland to pick or choose the circumstances under which it would join. Once the country had decided on full membership it was then incumbent on the government to proceed with the application with a committed verve. Whitaker insisted that it would be 'extremely unfortunate' if the application were to be withdrawn on the issue of NATO membership. He wrote a long memorandum to his minister, Dr. Ryan, early in January outlining the NATO problem in relation to the EEC. It is worth quoting at some length:

Nobody has yet told us that this is a condition of a membership of the EEC. On the other hand, nobody so loves us as to want us in the EEC on our own terms. The Community have difficulties enough without adding those introduced by a "contrary" new member who will bring the Community no particular benefits but will inflict on it additional problems including (as they might well view it) this tiresome forty year old problem with Britain. ... It is well to remind ourselves that it is our own propaganda which has given such an artificial significance to NATO in relation to partition. There is, in fact, no necessary incompatibility between joining NATO and maintaining our stand on partition. ... We say we agree with the aims of the North Atlantic Treaty and are not ideologically neutral. But are these not in danger of being regarded as empty professions when effect is deliberately not

given to them because of preoccupation with a national problem which we have lived with for Forty years? To others it may seem that we are treating a narrow national interest as being more important than unity and cooperation in the defence of Western civilisation.²³

Whitaker also argued that the government should not press its neutral status in terms of the Swiss or the Swedes who were ideological neutrals, and whose neutrality as such ruled them out of membership of the EEC, even in an associate capacity. Notwithstanding this critical approach, Whitaker advised Ryan that the government should adopt a wait and see approach to the question of NATO, while insisting that they should not ignore the real political and defence requirements which would in time come with membership. The fact that much of the diplomatic wrangling about political issues went through Whitaker is significant in that it shows how Finance had taken on the crucial role in respect of membership. While it was External Affairs which had played the key roles earlier in relation to Marshall aid and other European commitments, it was Finance which now had the key input into decision making on Europe even if these matters were not formally economic. External Affairs which had harboured some doubts about the EEC was effectively sidelined as Lemass took control of the debate and interacted more with Whitaker and Finance on the whole issue of the EEC and Nato.²⁴ Ultimately for Whitaker the economic and political roles of membership were intertwined. He bluntly told his minister:

If we want to safeguard our economic future - and on this, basically, our independence and influence in the world rests - we should not ourselves raise obstacles to being admitted as members of the EEC. To say that we would withdraw our application if membership of NATO were insisted upon would be extremely unfortunate.²⁵

The NATO question had to an extent dogged the application. This was even more

true at a political level. Lemass had to accept that he would have to give some reassurances to the community on this question. On 5 February the Minister for Lands Michael Moran addressed the chamber of commerce in his native Castlebar, on the application. He pointed out that it would be unrealistic to ignore the fact that all members of the EEC were in NATO and that neutrality in the context of East - West divisions was something that had not been envisaged by the Irish people. He went on to argue that between communism and the free world 'neutrality ... is not a policy to which we would even wish to appear committed'.²⁶ This speech caused quite a furore within both Fianna Fail and in the country at large. While the evidence is necessarily inferential, it would appear that Lemass was well informed as to what Moran would say. As a known cabinet disciplinarian, it does, as Tobin observes, seem inconceivable that Lemass would not have known and approved of Moran's speech, hinting as it did at a fundamental change in Irish foreign policy.²⁷ At a parliamentary party meeting, nine days later, Lemass 'gave a lengthy explanation to the party' of Moran's speech.²⁸ While the minutes of this meeting are no clearer than that, it does appear that Lemass was able to convince his colleagues that the economic benefits of membership of the community were paramount and in any event there was no stipulation that entry to NATO was a prerequisite to joining the EEC. In the 1961 general election campaign he had vowed that a Fianna Fail government would bring Ireland into the EEC. It was the tangible benefits of economic expansion that brought about this vow and Lemass was not about to let the NATO question interfere with that. The point about political integration was also addressed within economic circles within the bureaucratic machine. At a meeting of department secretaries in March 1962 J.C. Nagle of Agriculture wondered whether the emphasis

placed on NATO in some preliminary discussions was intended to convey the message that some countries were opposed to Irish entry to the EEC on grounds other than economic.²⁹ Adding to this Frank Biggar, who was Irish ambassador to the Community, claimed: 'I would not indeed think it impossible that, if we fail to convince on the political side, our economic difficulties might be used as a device to block our membership application'.³⁰ Politically, Lemass recognised the extent to which the EEC required assurances on a number of issues. In the area of foreign policy Lemass stated that the government accepted its obligation in this field fully:

economic integration is not regarded as an end in itself but as a step towards political union, and is, of course, in itself a political development of major significance. Indeed the removal of all causes of economic conflict between the member states is a very great political achievement.³¹

What worried the government and Finance in particular was the possibility that political questions would impede Ireland's entry and subsequently stifle her economic development.³²

The Wider Reaction: Press, Priests and People

At a more basic level the official application also pointed out that

understanding of the community's character and aims is not confined to the government but has come to be shared by the Irish people generally through debates in parliament, widespread press comment and a great deal of discussion by trade unions, employers organisations, farmers groups and similar bodies.³³

It was true that there was a remarkable sense of homogeneity about the application.

At the time of the 1961 general election the three major parties openly supported entry to the EEC leaving it to independent socialists Noel Browne and Jack

McQuillan to be lone voices in the Dail in opposing the application. Raymond Crotty, for one, bemoaned this fact noting: 'typically, there was little debate on the new departure which easily gained virtually universal acceptance'.³⁴ Furthermore the major newspapers and interest groups were all notionally pro-European in outlook. Nicholas Harman of *The Economist* noted such unanimity in an interview with Lemass: 'Ireland's application to the Common Market is a revolutionary step in Irish history, yet it seems that Irishmen, irrespective of their political party, are almost solidly behind the Government'.³⁵ In fact there was very little anti-foreigner sentiment in the country as a whole. A letter written to *The Cork Examiner* in 1959 calling for the country to deal exclusively with the British was indeed atypical:

we should buy more of our goods from them ... it is about time we closed some of the foreign embassies, sent home the representatives of countries who do not buy goods from us, and thus ensure a better balanced economy for our 'most distressful country'.³⁶

For the most part the academic economic community was also in favour of Ireland joining the EEC. There was, however, one significant opponent. David O'Mahony, who succeeded John Busted as Professor of Economics in University College, Cork in 1964 and published in the same year the first textbook on the Irish economy by a professional economist³⁷ opposed entry on the grounds that Ireland would be as well off in GATT following free trade policies from within that organisation. He argued that there was nothing to stop Ireland staying out if Britain entered as in that case the British - Irish labour market would be broken up into two markets which would enable the country to stand a good chance of being able to turn improvements in productive efficiency into lower prices. This would also happen if Ireland entered and the British stayed out. In the latter case Irish products would not enjoy free entry into

the common market, which would include Britain. But if Ireland pursued a free trade policy there would be no obstacle to it becoming a member of GATT:

It should then be comparatively easy for us to make an agreement with the EEC within the framework of GATT providing for the free entry which its products would enjoy into this country by virtue of its free trade policy. Ultimately indeed such a course might perhaps be the most desirable one for this country to follow. It would probably be regarded in a very favourable light by the community which quite evidently is not over anxious to dilute its membership with the fringe countries of Europe.³⁸

Others were more worried, however, by the whole approach taken by Lemass. A commentator in *Hibernia* in late 1962 wondered whether there were alternatives to full entry, claiming that although Lemass maintained that Ireland could undertake the responsibilities of full membership

no man in Ireland is more painfully aware of the limitations of Irish industry - limitations of size, of management, of capital and of enterprise. ... Lemass may well be right in saying that Ireland can bear full membership but has he really counted the terrible cost?.³⁹

More bizarrely, this writer declared that the majority of people in the country were leaderless, and that a great opportunity existed for the Labour party to fight and win the next election by running on an anti EEC platform. He accused Fianna Fail of playing politics with the common market issue:

nothing could be more harmful to a democratic community than that a major segment of opinion, and perhaps even a majority of the electorate should be unable to find political expression, for their hopes and fears on an issue of such magnitude ... It would be a poor state of affairs if our people were to escape great and unnecessary hardship because the Europeans more conscientiously assessed our situation and our well being than our leaders to whom we had entrusted our affairs.⁴⁰

It would appear, however, that this was a voice in the wilderness. The Labour party

itself was not ideologically opposed to entry at this stage (although it did oppose the later successful application in 1972). Furthermore the Catholic Church offered no significant opposition to the application. One or two of its members, did, however, warn of the dangers that could be inherent if the country did indeed join. E.J. Hegarty in the January 1962 edition of *Christus Rex*, for instance, warned that

before we decide finally to enter the EEC we should fully consider its very far reaching obligations which entail a surrender of so much control over our own 'household' and of independence of action in economic, social, and perhaps political fields. Also entering EEC will be like swimming out into the open sea from the former shelter of a bathing pool: unless our various branches of agriculture and industry can keep place with those in other countries they will certainly be submerged without any hole of 'protection'. Assuredly the Common Market is no 'gift on the silver salver' but only an opportunity to be grasped with resolute energy - if at all.⁴¹

The important factor to note, however, was that this was just a note of caution, nothing more. There was no resistance on the part of the Church to EEC membership. Archbishop Joseph Cassidy, observed in a recent interview that

the hierarchy had no collective stance on the issue. While one or two of them had been outspoken on economic issues, most notably Bishop Lucey of Cork who was a strong defender of small farmers and Bishop William Philbin of Clonfert who wrote a lot of pamphlets dealing with social issues, and wrote an important article on Europe at the time of the application; as a group the hierarchy would not have commented on the EEC. To be sure they would probably have seen the community as being a bulwark against communism as that was a big fear and they were always worried about excessive state control, but no, I would say that the EEC did not really impinge on their consciousness at all.⁴²

Indeed Lemass and Cardinal Conway both stressed in separate interviews in 1969 the limited role the Church had in influencing government policy, and it would appear that the Church offered no opposition to the application.⁴³ The Catholic journals did offer some critical comment on the application with *Studies* and *Christus Rex* opening their pages for commentary. It was William Philbin, who as we have seen was one

of the more outspoken bishops of the time, who offered the most cogent analysis of the application from the clergy in an address entitled 'The Irish and the New Europe' reprinted in *Studies*. For Philbin, the challenge of the Common Market was 'above everything else a moral challenge'. He noted that while it seemed to be commonly accepted that Ireland would receive a trade advantage from membership, the benefits of such would not just be confined to the field of international trade:

Our admission to the Common Market might well provide the stimulus we need, nationally and personally, to use our talents and resources generally to better account. The material factor might react favourably on the spiritual, making a two-way traffic as the body serves the soul. Enrichment in the field of human character is a better justification of the risks we are taking than any prospects of enhanced prosperity, because our personal qualities are, ultimately, the only possessions we need care about. Indeed personal improvement is the only adequate reason, in the last reckoning, for any corporate enterprise.⁴⁴

In essence, the Common Market, as it appeared to Philbin, had formalised a pattern that was already implicit in the economic pattern of modern society. He thus called on the whole population to interest themselves in the industrial concerns of the country:

Unless Irish people in our present circumstances of combined opportunity and peril shoulder the responsibilities that modern social organisation is imposing among us, unless we are prepared to be a nation in the twentieth-century sense, we had better forget our European ambitions and settle for something much more primitive, and forget too our hopes of staunching the flow of our life-blood in emigration. ... And an essential condition for advance is that we should think and act as a nation in the economic field, regarding lesser loyalties as subsidiary to our general duty of citizenship. If individuals or groups that hold strong economic positions of one kind or another press their advantage to the detriment of the public good, they will make even the most enlightened national planning and even the most elaborate material provision quite futile.⁴⁵

As we have seen both the farmers' organisations, trade unions and industrial groups

were all pressing their claims with government when it seemed that entry to the EEC was at hand. Ultimately Philbin was declaring that membership of the EEC was decidedly a good thing for Ireland, but that sectional interests would have to take a back seat to the overall good of society:

Leadership or planning will not be enough. We shall all be to blame if we fail or only half-succeed. ... Let us then, in the midst of all our detailed and technical preparation for the Common Market, not neglect to persuade ourselves about what it entails in terms of ordinary human character, of moral stamina. We are meeting in the current phase a moment of truth. Let us see and accept that a challenge faces us, simply as men and women, to prove what we are made of.⁴⁶

Philbin's lecture, originally titled 'The Moral Challenge of the Common Market', is the only substantive statement from a member of the hierarchy on the question of membership and fundamentally it gave the government its support. Other clergy writing on the application followed Philbin's lead and urged the economic interest groups to play a larger role in the policy process and not to leave everything to the state. James Kavanagh of UCD, writing in *Christus Rex*, declared that 'looking to the state is a national disease. Our industrialists - many of them - have been feather bedded for too long and only a few of them are aware that management is expected to be enterprising'.⁴⁷ Thus those few catholic writers who did write on economic issues were basically advocating a proto corporatist style approach to the economy and called on government and the interest groups to work together.

The application in difficulties

While domestic discussion developed, a meeting was held on in Brussels on 18 January 1962 to explore some of the questions raised by the Irish application. The *Irish Press* reported that Lemass was 'optimistic', on his arrival, that full membership

of the common market could be obtained.⁴⁸ The European Commission were not convinced at first that Ireland could fulfil the obligations of membership. The Commission noted that Ireland had special problems in respect of membership, and that these had to be given serious consideration even prior to the opening of formal negotiations. Indeed the Irish government were worried that the Council of Ministers might separate the Irish application from that of Denmark and Britain, who had already been advised that agreement had been reached on the opening of negotiations.⁴⁹ Balancing this, however, was the fact that the British government supported the Irish application. Christopher Audland, then a first secretary in the British delegation, has stated that the British supported the Irish application on two levels:

from a trade point of view it made sense to us that Ireland be included, considering that we had such a large stake in the Irish market, and the government also felt that if both countries were in the community, it could help to move to a solution on Ulster. That was something that was not in the public eye at the time but it was most definitely important to us.⁵⁰

Lemass was told that in view of the existing commercial relations between Ireland and Britain, it would be difficult to begin negotiations with the Irish government until at least some progress had been made towards a community agreement with Britain. Lemass maintained after this meeting that he was 'satisfied with the results of his first contact with the commission' and that the government would be pressing on with its application for full membership.⁵¹ A more ominous note was sounded by *The Guardian* in Britain when it declared: 'although the Irish application has been officially welcomed, there is no doubt that individuals, among the French delegation especially, have severe reservations about the application'.⁵²

The difficulties which the Irish government would encounter had been highlighted by an informal Irish delegation to the European Commission in April 1961, prior to Ireland's decision to apply for full membership. The delegation were informed that association rather than full membership would well be the best method for developing Ireland's relationship with the community. Full membership could follow in due course.⁵³ The reason given for this was that Ireland was considered to be an underdeveloped economy and would require special consideration prior to full membership. This could best be described as an unfortunate outcome of the EFTA negotiations where it was well known throughout the community that the Irish government had applied on the basis that the country was underdeveloped economically. Whitaker was worried that the Irish application would be in doubt because of the approach taken previously and he advised Lemass to advance a positive line when discussing improvements in the Irish economy between the EFTA and EEC negotiations.⁵⁴ However commission agricultural officials did not necessarily accept the view that Ireland was an underdeveloped economy in an agricultural sense, and the Irish delegation concluded that it was unlikely that special concessions would be granted. The delegation drew up a memorandum for the government, within which they made two observations. The first was that they believed that the official position of the Commission was that Ireland should apply for associate membership rather than full membership at this stage, and that the government should be careful before it decided to apply for full membership. The second was that Ireland might pursue a high risk strategy of applying for full membership in the hope that the Commission would offer concessions to make association more attractive. It was concluded that full membership carried considerable disadvantages for Ireland, especially for its

industrial economy and the special relationship with Britain, but that association also carried the risk that Ireland would neither benefit from Commission programmes nor would it be in a position to influence the future development of the EEC itself.⁵⁵ Yet some members of the European Commission saw merit in the Irish application. J.C.B. MacCarthy noted the reaction of the Belgian commissioner, Jean Rey, who saw the

clear principal danger lying in the field of agriculture. As regards industry there appeared to be no problem since we had accepted that protection must go by the end of the transitional. While there was difficulty over the question of a common external tariff ... he was very pleased that the Taoiseach had given such emphasis to political considerations.

MacCarthy also commented on the positive reaction of Signor Rosso, parliamentary secretary to the Italian minister for Finance, who 'saw no difficulty in our becoming a full member'. The Dutch were also favourable to the Irish application, reporting that Lemass's speech was 'generally well received'.⁵⁶

The memorandum prepared for Lemass prior to his departure for his key meeting in Brussels maintained that the fundamental economic emphasis for Ireland remained agriculture, despite the recent commitment to industrial development: 'for Ireland agriculture will always be of major importance. We are, naturally, anxious that, through membership of the European Economic Community, Ireland should be able to look forward to a balanced development of agriculture and industry'.⁵⁷ Irish officials were aware of the consequence of entry for Irish agriculture. It was assumed that Britain would remain the focus for agricultural exports, though it was recognised that the special relationship would be eroded if not terminated by the Common

Agricultural Policy.⁵⁸ The farming community, as we have seen, had no doubts that, after the disappointment of the Anglo-Irish trade agreement, Irish agriculture would boom within the framework of the EEC.

In terms of industrial policy the Irish aim was to negotiate a protocol or special agreement under which Irish tariffs would be dismantled over an agreed period of time, while some recognition would be obtained for the difficulties which some exposed industries might encounter. Industry and Commerce remained pessimistic about Ireland's industrial future without long term support, suggesting that protection should be maintained beyond the 1970 transition date that had been put forward: 'the protocol should provide for maintaining protection after the end of the transitional period for any industries which might find it too difficult to comply with the general rhythm [of tariff reduction]'.⁵⁹ Industry and Commerce reiterated its customary position that around 100,000 jobs could be threatened unless some form of protection remained in place. This view while undoubtedly somewhat pessimistic had a basis in reality as the initial CIO reports began to show that Irish industry was ill prepared for competition. As Domhnall McCullough has commented,

when those reports came out first there was not a great deal of surprise among businessmen. Originally we were not conscious of any sort of competition and once it became known that the government was serious about pursuing the EEC option we realised that we were hopelessly ill equipped to cope with this new state of affairs.⁶⁰

The CIO reports opened the eyes of many industrialists as a professional economist worked closely with the survey teams. This according to Colm Barnes 'was a complete new experience for us in the FII. We quickly got the message that we had to adapt or else go under'.⁶¹ The unexpected decision by the British to apply for

membership accelerated the need for the Irish economy, and industry in particular, to modernise its structures and to be in a position to compete in an open market in the very near future. The CIO had found that with a few exceptions, Irish industry was ill prepared for such a change in approach. The majority of firms in Ireland were heavily protected and had no experience of international trading conditions. Furthermore, a majority of those employed in the industrial sector were in these protected areas. The government was working on the assumption that Ireland would enter the EEC early in 1963 and that all the transitional agreements would be completed by 1970. Technical decisions concerning the method by which tariffs might be reduced gave some scope for Ireland and Irish industry, but this in itself would be limited. This meant that Irish industry would have to meet the full force of competition by this latter date. It was in recognition of this threat that the government had established the CIO to assess the potential of Irish industry in a free trade environment.⁶²

The CIO maintained that it would be unwise to assume that local patriotism, consumer ignorance, market frictions, permissible restrictive practices or any other consideration would modify the depressing conclusion that many Irish firms would not survive under free trade. Thus it advocated two courses of action: action to make industry competitive, which was termed preventative adaptation, and remedial adaptation. The former involved taking advance action 'in the light of the expectation or threat of injury before the injury actually occurs'. The changes required would be two-fold, one consisting of a short-term 'crash programme' to bring the efficiency of Irish firms and industries as far as possible into line with those they would be

competing against in the EEC. The second would consist of a longer term approach to improve technical training and occupational mobility: 'new institutions may be needed to effect these changes and existing bodies may have to have their functions modified or extended. In these circumstances, it must be expected that this second kind of preventative adaptation will take time'.⁶³ Within this context one can see that new corporatist style structures, as defined in this thesis, were being urged on the government which reacted with approval. The CIO anticipated remedial adaptation once Ireland entered the EEC and Irish industries were exposed to competition and did not prove successful. The CIO activated a whole series of proposals for such remedial adaptation. These included recommending that legislation dealing with industrial grants be amended, to enable an industrial project to switch from one field of activity to another, and that grants from the Industrial Credit Company and Coras Trachtala be reviewed.

Thus the CIO had a dual function: one was to provide an assessment of Ireland's likely trading position in a free trade environment; more importantly, the other involved incorporating the industrial interest groups into government structures. This strategy was, as we have seen, especially successful in drawing the trade unions closer to the government.⁶⁴ Lemass urged trade unionists to accept that changes were already underway regarding Ireland's relationship with the wider world, and that existing preferences with Britain were consequently already weakening. He implied, but did not state directly, that even in the absence of EEC membership, considerable changes in the Irish economy would be necessary. As Donal Nevin points out,

it had become pretty clear to the union movement that we would have an important role to play in the development of the economy, whether

we were in a European body or not. Our thinking on the European issue was along the lines of if it was good for workers, Congress would not oppose it.⁶⁵

Lemass believed that 'we can avoid the prejudicial effects of having to face a tariff on entry into Britain by ourselves joining the EEC'.⁶⁶ Ironically, he conceded that the negotiating strategy which had previously been adopted in respect of EFTA, insisting that Ireland was underdeveloped and identifying with Greece and Turkey, could now work to Ireland's disadvantage. The most significant difference between EFTA and EEC entry was that in the former agriculture was not in question for Ireland, and therefore it had been government policy to pursue the effective protection of existing Irish industry. Considering the importance of agriculture within the EEC context the implication here undoubtedly, even for the urban Lemass, was that the main concern of Irish government policy was agriculture, with industry being a distant, if increasingly important, second.

The concern expressed about industry should not obscure the main objective for Irish policy makers and for the government, in the early 1960s, which was to obtain favourable entry terms to the Community and to secure, if possible, continuing access to the British market for agricultural exports. The British market and agricultural exports remained the key focus of Irish policy, with industry engaging only secondary consideration. The decision by Britain to apply for membership was the most important stimulus to Ireland's application. In addition, the decision to apply for full membership was inevitable as the loss of Britain's markets for Irish exports was threatened if the British entered and Ireland did not. An important secondary consideration, which had both political and economic implications was, as we have

seen, the pressure from Irish farming organisations to join the EEC. Clearly the farmers' organisations wanted a situation where the traditional links between the United Kingdom and the Commonwealth would be weakened to the advantage of the Irish.

Shortly before he went to Brussels, Lemass addressed the Fianna Fail ard fheis. He had a number of objectives. The first was to assure the party membership of the significance and value of what the government was trying to achieve. This was important because one of the main effects of entry would be the dismantling of the entire economic nationalist superstructure which had been established over the previous thirty years. It was necessary to frame entry in a 'nationalist' or patriotic fashion. Some Fianna Fail supporters were worried about the application on the grounds of sovereignty. As Aodogan O'Rahilly pointed out,

there were some of us, close to Lemass, who had our doubts about the approach he was taking. I was totally opposed. I did not believe that any EEC was going to help Ireland economically or otherwise and I told him that straight up.⁶⁷

Lemass, however, was determined to push on and bring 'nationalist' Fianna Fail with him. He wished to assure foreign observers of the conference that the government was fully committed to entry. Finally, he used the opportunity to develop a momentum of support for entry. The commitment to the community was overt and the statement in favour of entry was as clearly posed as was possible under the circumstances:

Membership of the Common Market is open to those nations which accept the political aims which inspired it. A movement to political confederation in some form, is indeed a natural and logical development of economic integration. Henceforth our national aims

must conform to the emergence, in a political as well as in an economic sense, of a union of Western European States, not as a vague prospect of the distant future but as a living reality of our own times.⁶⁸

As part of this reality Lemass maintained that the multilateral arrangements within the EEC would be more to the advantage of Ireland than existing bilateral arrangements. In addition, he reflected on the possibility that economic integration would remove the basis for the partition of the country. This argument was based on the theory that cooperation at transnational level would bring about the objective which had been previously sought by economic nationalism. This can be seen as an attempt to appeal to nationalist sentiment, and a way of bringing the national aim of unification into line with European integration. Lemass also used the opportunity effectively to dismantle the ideological commitment to economic nationalism. The end of protectionism could also be presented in nationalist terms. Economic efficiency could thus be presented in terms of patriotic endeavour: 'in the economic sphere, the task before the country can be defined simply as that of becoming fully competitive in every respect. It is a condition essential to our national survival'.⁶⁹ O'Rahilly was not convinced:

the way I saw it the Europeans wanted us in to get control of our fishing and other stuff. How wrong can you be. While I was very strongly in favour of bringing in foreign capital I just could not picture us getting anything out it. As for partition I was of the opinion that we would be losing more control of our own actions if we joined. If anything I saw entry putting the national question back.⁷⁰

While Lemass had not been able to bring all his colleagues along with the idea of entry, he went to Brussels with the *ard-fheis* and the majority of his party united behind him. A motion passed recording the 'approval of the manner in which the Government is handling the negotiations for Ireland's entry into the EEC and on its

approach to international affairs in general' summed up the general mood of the Fianna Fail party as Lemass faced into what he considered to be vital negotiations.⁷¹ Not all commentators were convinced. The *Sunday Independent* reported the following month that there was a 'Cabinet Split on Common Market Issues'.⁷² Lemass, however, was quick to deny any such division maintaining: 'The person who invented that should be able to make a fortune writing fairy tales. I advise him to take it up. Hans Christian Andersen would only be trotting after him'.⁷³

Lemass's visit to Brussels and his presentation to the EEC went off well as far as the Irish delegation were concerned. Some commentators did not agree. An article by Jock Bruce-Gardyne in *The Statist*, entitled 'The Unwanted Suitor', claimed that the Irish application had received a 'frigid reception' and was being treated like a 'cold douche for a keen convert'.⁷⁴ The government were appalled by the slant Gardyne, a notorious cynic about the EEC, had taken and considered the article important enough to lodge a protest with the journal. There had been a number of inter-journal conflicts between Gardyne and Desmond Fisher, who had written enthusiastically about Ireland's application as to Ireland's place in Europe. In essence it seemed that Bruce-Gardyne was reflecting French government sources, who continued to be dubious about the Irish application.⁷⁵

In May 1962 a meeting was held in Brussels between the permanent representatives of the member states and a delegation from the Irish government. Questions concerning agriculture, horticulture, industry and tariffs were raised and discussed. While Ireland gave a commitment to abolish all quantitative and tariff restrictions, it

also made the case that some sectors would warrant special attention but that these would not conflict with European regulations. In addition, a full commitment to dismantle all tariffs on industrial goods within the time span agreed by negotiation was given. In this area the only exception requested was for those industries which encountered difficulties during the transition, but had the capability to compete and whose difficulties were of a temporary nature. Ireland also sought assurances on dumping in the light of the small Irish market and the damage that such action could do if the response was not quick enough.⁷⁶

While this meeting was largely of a technical nature, the Irish delegation believed that it had made its economic case succinctly and effectively. By early July it appeared that the permanent representatives would decide favourably for Ireland, allowing the Irish application to be discussed at the meeting scheduled for 23 July. This may go some way to explaining Lemass's most outspoken remarks on NATO, when in the same month he told *The New York Times*:

We recognise that a military commitment will be an inevitable consequence of our joining the Common Market and ultimately we would be prepared to yield even the technical label of neutrality. We are prepared to go into this integrated Europe without any reservations as to how far this will take us in the field of foreign policy and defence.⁷⁷

It would appear from this that Lemass was convinced of the need to reassure the community that membership of NATO was not a problem for Ireland.

The Government's objective, then, was to place its application on the same footing

as that of Britain and Denmark. Notwithstanding this optimism, it was recognised that negotiations, even if they began immediately, would not be completed before the spring of 1963. Whitaker therefore suggested to his long time civil service adversary J.C.B. MacCarthy that tariff cuts should begin from 1 January 1963 to prepare industry for the future and to demonstrate Ireland's willingness to complete its transition period as quickly as possible.⁷⁸ This optimism was to be disappointed as consideration of the Irish application was further postponed, and the government received no assurances over the summer period despite continuous attempts to ascertain the EEC's position. By September Whitaker admitted that the 'status of our application is as yet undetermined'.⁷⁹ Yet in the Dail two months later Lemass, under hostile questioning as regards the status of the application from James Dillon of Fine Gael and Brendan Corish of Labour, insisted that 'our application presents no great difficulty'.⁸⁰ He did admit that no date had been fixed for the resumption of the Irish negotiations but he was adamant that the Irish application was not at the 'end of the queue' and was on a par with Britain's and Denmark's. His officials were not as convinced. Lemass did, however, reaffirm to the second Fianna Fail ard-fheis of 1962 in November the importance of the application for both the party and the country. He was again careful to frame the application in terms of the history of Fianna Fail and the country, maintaining that there was no contradiction between previous Fianna Fail economic policy and entry to the community:

we were always keenly conscious of the fact that winning of political independence would not mean that we had acquired economic independence in the same degree. We saw in the EEC a door opening to new economic opportunities not previously available to us and the prospect of a much more secure foundation for our future prosperity. For a party with our philosophy and national background no other course was possible. The alternative course would condemn us in perpetuity to a position of economic inferiority, leave us a beggar

amongst the nations, seeking to maintain a dying economy on the crumbs of charity from our wealthy neighbours. ... Membership of the EEC is, however, something very much more than a condition necessary to maintain our present level of economic activity: it is an opportunity for expansion greater than we have heretofore enjoyed.⁸¹

For Lemass entry to the EEC was but a natural progression of Fianna Fail policy in both economic and national policy. For him, and in essence the party, the political consequences of the application were welcome because 'we saw in this prospect a new source of national strength, an extension of our freedom, and a better opportunity of fulfilling our cultural, economic and social aims'. To Lemass the goals remained the same. He still wanted to see 'full employment' which also meant 'the elimination of all economic causes of emigration and that also we see as a realistic objective in the early future'.⁸² The evidence in the Fianna Fail minutes on entry to the EEC is patchy. Yet it would appear that most deputies saw the prospect as appealing. George Colley even went so far as to table a motion calling for the party to 'consider and, if possible, to decide on, the question of our representatives joining one of the European Groups or parties represented in the Council of Europe and the European Parliament'. Lemass, however, intervened to say that it would probably be better not to take an early decision on this matter 'pending a decision on our application for membership of the EEC'.⁸³ While the motion was then unanimously withdrawn, it is still indicative of the support that Lemass had managed to garner within the party.

The failure of the application

Ireland's application finally failed, not on any economic or political matter, but because of the intransigence of Charles de Gaulle.⁸⁴ Once de Gaulle vetoed the British application on 14 January 1963 the Irish government suspended its application.

A Finance memorandum outlined the dangers the suspension might bring:

There is a danger that, in the conditions of uncertainty that may prevail in the months ahead, the momentum that has been achieved in the preparations for entry to the EEC will be lost. Preoccupation with external events or with the short term discomforts of adjustment must not cause us to lose sight of our principal objective, namely, the reshaping of the economy to enable us to hold our place in a world that is moving towards freer trade and to maintain the rate of economic growth achieved in recent years.⁸⁵

Finance were worried that this objective would not be achieved as long as resources of capital and labour were committed to non-competitive production which 'acts as a drag to the economy as a whole'. The CIO reports had clearly shown that there was an urgent need to redeploy resources in favour of production that could compete on world markets. The way Finance saw it, the very considerable sums that the consumer was contributing by way of higher prices for the protection of 'certain uneconomic industrial units' would be better applied in financing industrial reconversion and expansion and the retraining and resettlement of workers.⁸⁶ Protection had proven to be a policy without a remedy for the problems of unemployment. Thus the primary emphasis had been deliberately shifted to direct development grants and fiscal incentives as a means of raising industrial capacity and employment and increasing production for export. In essence the Finance argument was that Irish industry could only provide jobs for those seeking a livelihood in Ireland by enlarging its sales in export markets. Furthermore while both management and labour had shown themselves to be appreciative of these arguments, there did remain a danger that the weaker elements in industry would waver and raise doubts about the need to reduce protectionism, particularly on a unilateral basis. Lemass did not need to be convinced of the strength of this argument.

At a political level Lemass responded primarily by devoting a parliamentary party meeting of Fianna Fail in late January 1963 to the suspension of the application, where he dealt 'at some length' with the implications for the government and the country on the effective withdrawal.⁸⁷ Some days later he made an important speech to the Dail and dealt with a number of issues. He was determined not to let any complacency slip back into the Irish industrial psyche, and made this clear in his lengthy Dail statement:

The deadlock is, we hope, purely temporary. ... our desire is that a way will be found before long to enable all European countries which share the aims expressed in the Treaty of Rome to participate fully in a wider Community. The forces making for European unity which received such an impetus after the last World War, will, I feel sure, be strengthened as time goes on and must in the end prevail. The suspensions of the British negotiations should be viewed as a temporary setback and not as a final breach.⁸⁸

Within this context he maintained that while for the present it was not practicable or desirable for the government to pursue its application 'this decision will not of itself make our position any worse than it has been for the last two years'.⁸⁹ He was of the opinion that the country had gained permanently from the measures taken to gear up the economy for greater competition and maintained that these measures would have to be reinforced and accelerated. Ireland, he declared, had become a stronger economy due to the changes brought about since the late 1950s and would have to strive to make the most rapid advances in the forthcoming years as this would increase its capacity to benefit from eventual participation in a wider EEC. In an important passage he argued that

the promotion of industrial efficiency by reduction of protection is not being initiated because of free trade principles, but because in the circumstances now prevailing in the world it is recognised to be necessary for economic and social progress. To remain efficient in

only parts of the economy, with limited capacity to expand exports, is to condemn ourselves to inert dependence on the British market in which we may expect a progressive hardening of competitive conditions for our products.⁹⁰

This was an important point, in that Fianna Fail could claim that there was no contradiction in their moving from protectionism to free trade as the latter could be framed in terms of the patriotic endeavour of doing what was best for the country. Lemass was setting the broad context within which this new economic policy, incorporated in the shift to Europe, was being situated. The social and political advancement of the nation, according to Lemass, could best be achieved by new methods which in themselves would secure the independence of the country which to some degree had been threatened by the country's economic malaise.⁹¹ This volte face was too much for some of the opposition. Dillon attacked Lemass in blistering fashion:

One must plead for some measure of indulgence if one experiences consternation in listening to the Leader of the Fianna Fail Party speaking for an hour and a quarter on the subject of free trade and the vital importance of the British market to the Irish economy. If he had advanced either thesis to any member of his party during the past 20 years, they would have gone as near to assassinating him as the law would allow, and I can assure him from my own position looking at the faces of his own backbenchers that it is a most stimulating experience. Whether it is the reaction to learning the truth or the discovery that they have been made fools of for so long I cannot quite delineate, but the general air of bewilderment that characterises them from the youngest to the most venerable is a stimulating experience for those of us on this side of the house. ... I am glad that the Taoiseach at least, and the Fianna Fail Party, I assume, have woken up to the fact of the vital importance to this country of the British market but they really ought to go for 40 days into the desert, fast and pray to purge themselves of their past history.⁹²

While this can be seen as part of the normal cut and thrust of politics there was in Dillon's castigation of Fianna Fail a serious charge they had to answer. Lemass's

arguments in favour of membership of the EEC was theoretically an anti-nationalist policy rooted firmly in free trade. But he had to frame it in nationalist terms of serving the country. The Minister for Industry and Commerce, Jack Lynch, reaffirmed the shift from an economic nationalism based on self sufficiency to an interdependent framework when he declared: 'we in this island could not continue in economic isolation. The world outside was moving towards freer trade even though it was doing so at the moment through blocs of states'.⁹³ Lynch had no doubt that it was through entrance of one of these blocs that Ireland's economic survival could be guaranteed, and maintained that the government's main economic aim was to join the EEC as soon as was possible. Others who would have traditionally been opposed to Fianna Fail were willing to support Lemass in his strategy towards Europe. Garret FitzGerald considered Lemass the best Taoiseach available for the purpose of initiating what he regarded to be this long-overdue process of economic growth, and he even voted for Fianna Fail in the snap general election of 1961.⁹⁴ That FitzGerald voted for Sean MacEntee, rather than one of the other Fianna Fail candidates was, nevertheless, rather odd because MacEntee was an old style Fianna Fail nationalist and could hardly be described as one of the leaders of the move towards interdependence with the EEC. Still it is interesting that FitzGerald felt it necessary, albeit 'reluctantly', to vote for Fianna Fail considering that Fine Gael's platform in the 1961 election mirrored Fianna Fail's in terms of European policy. Speeches by all Fine Gael's important figures such as Dillon, Sweetman, Richard Mulcahy, Liam Cosgrave, T.F. O'Higgins, Gerry L'Estrange, and Sean MacEoin emphasised in the campaign the need to develop policies conducive to benefitting from membership of the EEC and placed great emphasis on the need to prepare sufficiently to meet the

new challenges that membership would bring. Cosgrave at Dalkey, for instance, told an audience what he considered to be the key issue of the campaign: 'this country is facing a new era and that with developments in Europe conditions in the future will be quite different'.⁹⁵ Fine Gael, however, had to face up to the fact that the country identified Lemass with the move towards Europe. As he reminded the November 1962 Fianna Fail ard-fheis:

During the general election campaign ... I spoke at every public meeting which I addressed about our application and endeavoured to explain its economic and political implications, making clear a Fianna Fail government would be committed to a policy of joining the EEC.⁹⁶

Notwithstanding this association Lemass had been unable to convince the electorate to give him an overall majority and thus a mandate to pursue his economic agenda. He was, however, still able to form a minority government which proved quite stable for the next four years.

Ditching protectionism and the determination to reapply

Within this context Lemass argued for the systematic lowering of Irish tariffs and, more surprisingly, suggested that an alternative approach open to the government was membership of EFTA, something which he had dismissed out of hand a number of years earlier. This received critical comment, with the *Irish Independent*, in an editorial entitled "Ifs and Buts", commenting that entry to EFTA 'would be another somersault of Government policy, for up to now we have refused to join since EFTA did not provide for free trade in agriculture'.⁹⁷ It was the anticipated dismantling of tariffs which received most comment, with the same paper arguing that 'this is a plain warning to industry that the Brussels breakdown provides a space not for breathing

but for action'.⁹⁸ This was something the FII had been telling their members to prepare for. Some industrialists, however, saw the hold up in the British application, before de Gaulle's veto, as removing the sense of urgency about preparing for new trading conditions. This complacency was something the FII were trying to rid their members of. J.J. Stacey of the FII told Lemass that they 'were trying to bring home to their members that the delay in dealing with the British application did not mean that they could afford to slacken their efforts to get ready for entry to the Community'.⁹⁹

In many ways the decision to apply for membership was unwelcome to the Irish government, in that Britain's action in 1961 undermined its capacity to make policy in an independent fashion. It also challenged the traditional certainties on which policy had been based. Furthermore, Ireland remained dependent on the EEC decision in respect of Britain. To a large extent, Ireland's position was marginal to the member states of the EEC. It contrasted sharply with the internal cohesion of the community itself, even were Britain and Denmark included.¹⁰⁰ EEC entry was, however, part of a developmental strategy. Since 1958 and the production of Economic Development, the government and a civil service whose prime economic department had changed dramatically were searching for new avenues along which to lead the country into the 'promised land of economic prosperity'.¹⁰¹ While the immediate application was in a sense an emergency response to external changes over which the government had no control, this merely speeded up an evolutionary process the government had embarked on. As Miriam Hederman O'Brien has pointed out, 'the decision to look for full membership was an act of faith in the Irish economy

which would have looked like lunacy only ten years earlier'.¹⁰² In essence there was no reluctance about the application. The ultimate decision to apply did focus policy makers' attention on the need to restructure industry to meet the competitive challenge of Europe. Policy makers had realised that Ireland could not develop as an autonomous economic unit, if it wished to benefit from growth and trade expansion. The application finally confirmed the view of those within and outside the government who had argued that in an uncertain economic world it was better to be prepared for uncertainty by being aligned rather than by standing alone. The collapse of the EEC negotiations in 1963 provided the government with the motivation to move quickly to reduce tariffs and to prepare for a second application. Lemass's goal was to transform the state into a modern entity able confidently to take its place amongst a community of Western European nations. Ireland's economic pursuits had taken on a wider impact and he realised this. Thus after the collapse of the EEC negotiations, he quickly signalled his intention to reapply and to continue his modernisation drive. He outlined the government's position in a speech in Limerick in May 1963:

If we are to realise the rate of expansion at which we are aiming - an average increase of 4 per cent per annum in the volume of national production - manufacturing industry must play the main role. Agriculture is, of course, our most important economic activity and will continue to be so. ... If we should be faced with a choice between accession to the EEC on terms which did not involve an extension to the transitional period and a desire to keep tariffs to meet the difficulties of industries which failed to get on with the tasks of reorganisation and adaption on which they should now be engaged, *the choice will be for accession.*¹⁰³ [italics mine]

The message was clear. Stragglers would not be tolerated. The cosy insular world that Irish industries and businesses had inhabited in the 1950s was gone. In its place was a leaner more competitive world in which indigenous Irish industry would have

to compete with their fellow Europeans. Lemass was determined that Ireland would not be left behind the rest of Europe. He told an American audience that 'although Ireland was an ancient nation, she is a young state. The limited size of the Irish market means of necessity that our growth target must be realised through export trade'.¹⁰⁴ For Lemass the time had come for Ireland to take her place economically with other nations in Europe and to compete on a par with them. Within this context he had included the various economic actors, and would take them with him as he journeyed on the road to free trade. As Whitaker told an OECD economic policy committee meeting: 'We inhabited the cellar ... Although the cellar proves to have been quite a respectable club, we were not happy there and wanted to break out into a more invigorating atmosphere'.¹⁰⁵ Thus the era of self sufficiency and protectionism was put to rest and replaced by a more outward looking, confident, economically interdependent regime.

Conclusion

The course of Irish economic policy formulation between 1948 and 1964 was determined largely by the political instability which plagued successive governments throughout the period. This instability can be put down to voter disenchantment with the economy. The elections of 1951, 1954 and 1957 were fought principally on economic issues. Yet economic issues did not register extremely high with the politicians themselves. While there was differing view points within both Fianna Fail and Fine Gael on the course economic policy should take, voters inevitably blamed the party in government for the stagnation in the economy. De Valera, although not a firm supporter in any sense of the new financial thinking which had taken root in Finance with the appointment of Whitaker, nevertheless realised that old remedies had not helped Fianna Fail politically. By the time-Fianna Fail had lost power for the second time in six years in 1954, de Valera was remote from much of the economic debate raging within the party and the country at large. He was, however, politically astute enough to know that economic retrenchment as associated with Fianna Fail when they went to the country in 1948 and 1954 had been rejected by the electorate. Fine Gael, for their part, were as divided as Fianna Fail. In such circumstances the original dynamic for change in the Irish economy came from two sources; factions within the main political parties and within the civil service. Within this governmental arena, both politically and administratively, financial ideology reared its head. Supporters of both an activist approach and of the traditional retrenchment approach to economic policy existed in both camps and the story of the development of economic policy in this era is one of a struggle fought out between these two groups

at a number of levels.

The introduction of Keynesian economic policies by the first inter-party government was the first concrete change in economic policy for a generation. It had its dynamic within both administrative and political frameworks. The driving force behind the introduction of this policy lay originally in the political field. McGilligan, MacBride and Dillon all propagated a change in the prevailing financial ideology within which Irish governments pursued policy. On the opposite side of the political fence Lemass, who by this time had seen that protectionism had run its course, can be said in theory to have supported this departure, though in the tribal nature of Irish political discourse he opposed most of that government's economic and industrial policies, the creation of the IDA being a notable example. The first inter-party government saw some intrinsic opposition to this about turn in economic policy from within the civil service. Both the Central Bank and Finance took the view that such Keynesian policies would bankrupt the nation. Yet within the civil service, some key individuals, most markedly the young Paddy Lynch, were avid enthusiasts of the pursuit of a Keynesian agenda. A new generation of civil servants who were advancing up the administrative ladder were looking farther afield in their quest to develop the Irish economy. Men like Whitaker, Nagle, Lynch, Murray, Barrington and O'Cearbhaill interested themselves in the economic workings of other states and took on wider tasks than those usually associated with the civil service. Whitaker, for instance, though a staunch defender of traditional Finance policy during the first inter-party government, actively studied economic policy formulation in other countries and used this wider experience once he eventually became secretary in 1956. The first inter-party

government can be seen as a prime example of the primacy of politics over economics within a governmental framework. The hegemony of Finance and the Central Bank was to some extent dissipated by active political leadership of government departments.

The administrative side of government regained control once Fianna Fail resumed office in 1951. The appointment of MacEntee to Finance was the signal for Finance in particular to reassert itself. This reassertion must be viewed, however, in terms of Finance stressing the age old solutions for economic problems that were associated with that department since the early 1920s. MacEntee was a classic deflationist. He was a firm believer in the market and abhorred the Keynesian policies of his predecessor. With McElligott still at the helm at Finance, MacEntee set about placing financial policy back on the straight and narrow path of deflationary virtue. Fine Gael, back in opposition, lost their collective nerve, leaving it to the Lemass wing of Fianna Fail to provide the active opposition to such traditional thinking. The minutes of the Fianna Fail parliamentary party show quite clearly how wide this dispute was. Lemass could not afford to leave MacEntee with a clear run and control of economic policy: There was no guarantee that Lemass would automatically replace de Valera, once 'the chief' retired. Lemass could not leave the economic assert its primacy over the political within the administrative framework of government at this time. Thus his disputes with MacEntee over the whole thrust of economic policy can be seen in these terms. While de Valera sided with Lemass on some issues, Lemass realised that these were not necessarily signs of approval from 'the chief' in terms of a leadership struggle. Moreover notwithstanding some expansionary schemes, Fianna Fail would

go to the country in 1954 defending a strictly conservative economic record.

It is in these terms that one can see Lemass's courtship of the various economic interest groups in the period. He instinctively knew that the development of the country in economic terms necessarily revolved around a corporatist style arrangement with the government leading these groups in a new economic partnership. For that to happen, Lemass realised that government in its political form would have to be the hegemonic player in the administrative system. Of even more importance was that he be at the head of such a system and for that to happen he would have to devise a long term economic strategy that would return Fianna Fail to government. While he bemoaned the fact that civil servants did not do enough independent thinking, he was firmly of the belief that it was political government which should lead. It is in these terms that one can see the evolution in the process of the formulation of public policy towards a more conscious and overt corporatist set of arrangements. Within these parameters, the political interests, particularly in the form of Lemass, would lead, but it was intrinsic on individual interest groups to play a full and active role. Thus the formalisation of the identities of the major interest groups; farmers; business; and unions; began. Moreover aspects of the civil service became more active as the 1950s continued. Ultimately Whitaker's Economic Development was the culmination of a major strand of activism within parts of the higher echelons of the civil service. A decade earlier there was no one saying that civil servants had a long term policy planning role in economic and social affairs. While it is true that many decision makers in the civil service were happy to take a back seat and perform their tasks as they had always done, there was a vigorous band

within administrative circles who believed that it was not just the job of the senior civil servant to advise, but it was also imperative that they do some independent thinking which could then be presented to their political masters. Although the period of the second inter-party government was a time when traditional economy was in the ascendent as the policies pursued by that government mirrored the previous administration, once Fianna Fail regained power in 1957 the civil service, or more correctly some sections of it, should be seen as part of any tripartite arrangement between Lemass and the various economic partners.

There was a gradual maturation of relations between the emerging interest groups and the government in the policy realm. While clearly the farmers remained the most overtly selfish and sectional group, even they came to take some heed of the 'national' as distinct from the purely agricultural interest. Moreover the vision of ICTU is really quite striking in that they were able to take a dispassionate and long term view of the country's economic prospects in addition to attempting to advance the sectional interest of their members. In many ways the business leadership is quite similar to the unions as the debates about entry to Europe gathered pace in the late 1950s and early 1960s. While there was two distinct views about any proposed entry of a trading bloc within the business community, it is clear that they realised that the country's economic fortunes and those of their members was interlinked.

When Fianna Fail regained office in 1957, de Valera crucially relegated MacEntee from Finance. In essence this left Lemass with the scope to reshape economic relations in the way he wanted. This was principally due to the electoral fortunes of

Fianna Fail, and not to any great shift in financial ideology. De Valera, although he can have had little stomach for it himself, undoubtedly realised that in the electorally fluid 1950s, economic expansion could well mean political success. Lemass, now the undisputed prime economic player in government, embarked on a programme to haul the Irish economy out of the dark ages of financial austerity, mass emigration and inadequate employment. In essence Lemass did this by setting out to establish a broadly European style proto-corporatist social democracy, involving all the key players collectively in responsible decision making. He had a long range vision for the Irish economy and realised that age old methods had not worked in the past and were most unlikely to do so in the future. His relations with the Congress and the NFA are categoric examples of his attempts to build such a social democracy. The emergence of both players as recognised elements in national policy making is the crucial sign in Lemass's attempts to build what we might call the broad based church of economic interest groups. It was essential that both farmers and unions be involved as well as business. While Lemass's views did not please everyone in Fianna Fail as witnessed particularly by the resignation of Paddy Smith, the Fianna Fail of the early 1960s was a distinctly different party to that which had lost power in 1948. A new generation of politicians, influenced greatly by Lemass, were comfortable with the innovative direction of economic policy that had Europe as its ultimate goal and left behind outmoded theories of self sufficiency. By the early 1960s Europe was in fact the goal of the majority of politicians and interest groups, with even the Catholic Church voicing no overt protest. By the time of the application to the EEC all the interest groups that Lemass had co-opted in his quest to make Ireland a more competitive economy were advocates of entry. Policy was to be formulated with the

interest groups in mind.

Thus Lemass resolved that the state would have to show the way. His opportunity presented itself out of an economic disquiet in the country and he was determined not to waste it. The government of which he was all but nominally in charge from 1957 would pursue policies of economic expansion and would engage with the economic interests to see its aims succeed. Ultimately it was politics which had reasserted itself. Yet Lemass still faced opposition from his old stomping ground of Industry and Commerce. While it was Whitaker who convinced Lemass that free trade had to be taken on board it was Lemass who had to ensure that Industry and Commerce left their protectionist mentality behind. He did this to such an extent that by 1963 Industry and Commerce were maintaining that they 'wholeheartedly' supported a phased cut in tariffs. While European economic integration was not an explicit feature of either Economic Development or the First Programme for Economic Expansion, developments within the country's economic superstructure had shown policy makers that they could not exist independently of the free trading blocs that had emerged in Europe from the 1950s onwards. This was particularly true once Britain decided that she could also no longer ignore these developments. Whitaker was the main instigator in Ireland's move towards economic interdependence with western Europe. Lemass took some convincing, but once persuaded, he became the most enthusiastic advocate of entry to such a bloc, in Ireland's case the EEC, since Britain had applied to join that body, and used his political power to ensure that some of the more reluctant civil service departments supported him. Ireland's economic needs had taken on a new agenda. An activist Taoiseach, who had brought his party with him, and in the

process had fundamentally changed their economic philosophy, with a more dynamic civil service had embarked on a route that assumed interdependence with other economies and engaged in meaningful and formal dialogue with economic interest groups. By 1964 the primacy of the political process was fully recognised. Administrative civil servants and the economic interests had a vital role to play, but it was Lemass who was in charge of economic development.

Note on Primary Sources

This thesis is based on extensive research in documentary sources. The primary focus for historical research into economic policy formulation lies in the cabinet records of the Department of the Taoiseach in the National Archives. These are exhaustive in their detail of most aspects of policy. Memoranda which passes to other departments ends up in the cabinet records with the thoughts of those departments recorded. Thus official government records form the necessary base from which this thesis is written. Other departments are not as well served as the Taoiseach's when it comes to documentation. The files of the Department of Foreign Affairs, detailed in their analysis of diplomatic events, are not nearly so comprehensive when it comes to economic issues and the negotiations to join EFTA and the EEC. The Department of External Affairs was, for historical reasons, particularly small at the beginning of the period covered in this thesis. De Valera had built up the department with an emphasis on its diplomatic role. Thus little provision was made for trade or economic representation. Although the department gained in stature with the appointment of Sean MacBride as Minister in 1948, it still mainly concentrated on its diplomatic role. Thus the department's files reveal little that is useful. It is from within the cabinet files that the views of External Affairs emerge in detail.

In many ways the Department of Industry and Commerce is even less well served. Its files reveal a department which made little comment on the evolution of industrial policy. The files of the trade and industry division, for instance, are littered with applications from manufacturers requesting more protection from the department and

the government as the 1950s progressed. A former secretary of the department has told the author that the files of the department during this period are indicative of the mentality of the department. It was a department that was not proactive in its policy formulation, and thus little in the way of policy appears in its files.

The files of the Department of Agriculture are only available in the National Archives, at the time of writing, for consultation up to 1950. A National Archives official has informed the author that little in the way of policy exists in the files post-dating 1950. This is certainly true of the years 1948-1950. Again it is mainly from within the cabinet files that the views of the department materialises, particularly in its dealings with the NFA, and on other policy matters.

The files of the Department of Finance are only available in the National Archives up to 1942. This, a Department of Finance official has informed the author, is due simply to problems of space as the documents are ready to be transferred from Finance. He presumes that this is the case in Agriculture also. The author was, however, able to consult some Finance files still held in the Department. These files show a department changing radically during the years analysed in this thesis. The appointment of Whitaker as secretary sees the files of the department increase dramatically in content. These files are particularly useful for their portrayal of the ultimate move from protectionism to economic interdependence, and of the attempts by Finance to bring Industry and Commerce on board in this journey. Overall departmental sources are crucial to a study such as this as they bring to life the policy making process behind the decisions made by the various departments and the

government as a whole.

Departmental records, however, only tell part of the story. They need to be supplemented by other sources. The archives of the economic interest groups who were active at the time are patchy. ICTU archives are available in the National Archives. They reveal more than Donal Nevin, in a talk with the author, assumed they would. They are particularly useful for their portrayal of the Congress's stance on economic issues in the early 1950s and on the possible entry of a European trading bloc. These records have not been widely used by other researchers. This writer has been less fortunate in respect of records of the other groups. John Gibbons, for example, has analysed the files of the NFA and as such wrote his Ph.D. from them, but these are not now open to research. The cabinet files are, however, very comprehensive in their treatment of state-farmer relations and these together with Gibbons's thesis cover the main ground of agricultural policy making in the period. Examination of the business community also created difficulties in that the author was unable to see records of the FII and FUE. The cabinet files are not as comprehensive, as might be expected, in government business relations. While they do contain much that is of value, the writer has supplemented this record with detailed interviews with businessmen and industrialists of the time and a careful examination of industrial journals and other sources of the time. Another powerful interest group, the Catholic Church, also presented difficulties. The hierarchy retained no minutes from this period of episcopal conferences. The Catholic press office was only set up in the early 1970s and so far as this writer can ascertain there is no archival record available to trace the development of the hierarchy's position on

economic and social issues. Research on the church's position has consequently been confined to interviews and to a careful trawl through the main Catholic journals of the time. An especially useful interview was held with Archbishop Joseph Cassidy, who is considered an authority on the politics of the period. Archbishop Cassidy was able to shed much light on the position, or more importantly the lack of any such stance that the church had on economic issues.

A more fruitful source of research have been the private papers of policy players who were active at the time. Among these the Joseph Brennan papers, in the National Library, are most useful for the period 1948-1953. They are in fact a much under used source: Mary Daly in her 1993 work on Industrial development and Irish national identity has consulted them for the earlier period, but few others have used them recently. They offer valuable insights on Brennan's relationship with politicians and other civil servants and on the workings of the Central Bank in this period. Patrick McGilligan's papers in UCD are also useful for this period. While the McGilligan papers are a vast collection, they have, however, been in the public domain for nigh on twenty years and have frequently been consulted by researchers. - The Michael Hayes papers, also in UCD, throw interesting light on both Fianna Fail's and Fine Gael's attitude to Marshall aid in particular. Sean MacEntee's papers, again in UCD, are a treasure trove for those writing on the development of the modern Irish state. They are full of insights into economic policy in the period. They recount his policy battles with Lemass from the early 1940s to the late 1950s and as such are crucial to this study. By contrast the William Norton papers in the Irish Labour History Society are a disappointing collection. They shed little light on

Norton's time as Minister for Industry and Commerce in the second inter-party government, and overall reveal little that is new on economic policy. They are better for Norton's period as Minister for Social Welfare in the first inter-party government, but overall are not a substantial addition to the economic debate. Outside the political fence, Todd Andrews' papers in UCD are a valuable collection reflecting the work of one of the key public servants of the era. Interestingly they show that Andrews, who was a committed statist, was a firm believer in the importance of agriculture for the national economy. Padraic O'Halpin's papers recently deposited in UCD are also interesting in their portrayal of a Fianna Fail organiser close to Lemass, who pushed for a more active approach to economic management.

An exciting new avenue of research has emerged with the recent opening of the Fianna Fail party archives in their headquarters at Mount Street. The parliamentary party minutes, although very brief in places, offer fascinating insights into what dominated the political thinking of Ireland's largest political party at the time. Moreover the minutes of the party committee, or national executive, reveal the thinking behind the party hierarchy at the time. The Fianna Fail archives are divided into a number of different sections. For the purposes of this thesis, very useful information is contained in the reports of various *ard-feiseanna* and in the documents on elections. The Fianna Fail records are a very valuable new source which have not previously been drawn on by researchers. Unfortunately the Fine Gael archives located in UCD, are not so comprehensive. They contain no minutes of parliamentary meetings after 1949 (because of a fire at party headquarters in the late 1950s). There

is some useful material on elections and some policy memoranda regarding these elections, but on the whole it is not a very invigorating collection.

The documents used in this thesis have been supplemented by interviews with individuals who were active at the time, as civil servants, trade unionists or as businessmen. All interviews bar two were taped and all, with the exception of a former senior civil servant in the Department of Industry and Commerce, were willing to be quoted. Some interviews obviously provided more information than others: while all interviewees, bar one, were willing to be quoted, some were more reluctant than others to discuss the period. In general the former civil servants broadly supported the account given in the official records, but they have been able to give a much clearer position of the way policy developed within departments and government as a whole than can be found in the documents. Those who were involved with the unions, farmers' organisations and private enterprise have vividly brought to life the position of the respective economic interest groups in the period, and they cast much new light on conditions in the period. On many occasions, civil servants in particular have been able to explain what was the thinking behind certain documents. Moreover in the case of those non civil servants who were interviewed, one gets a valuable insight into what government decisions meant to those which were affected by them.

Other primary sources include government publications and newspapers and periodicals of the time. Again these help in a vivid way to augment the documentary record.

Notes: Introduction

1. J.J. Lee, Ireland 1912-1985 Politics and Society (Cambridge: Cambridge University Press, 1989), p.xi.
2. Brian Girvin, Between Two Worlds Politics and Economy in Independent Ireland (Dublin: Gill and Macmillan, 1989).
3. Paul Bew and Henry Patterson, Sean Lemass and the making of Modern Ireland. 1945-66 (Dublin: Gill and Macmillan, 1982).
4. Niamh Hardiman, Pay, Politics, and Economic Performance in Ireland 1970-1987 (Oxford: Clarendon Press, 1988); John P. Gibbons, The Origins and Influence of the Irish Farmers Association, Ph.D. thesis University of Manchester, 1990.
5. Brian Girvin, 'Trade Unions and Economic Development', pp.117-132 and Niamh Hardiman, 'Pay Bargaining: Confrontation and Consensus', pp.147-158 in Donal Nevin (ed.), Trade Union Century (Dublin: Mercier, 1994); Charles MacCarthy, Trade Unions in Ireland (Dublin: Institute of Public Administration, 1977); Basil Chubb (ed.), Federation of Irish Employers 1942-1992 (Dublin: Gill and Macmillan, 1992); Maurice Manning, 'The Farmers', in J.J. Lee (ed.) Ireland 1945-1970 (Dublin: Gill and Macmillan, 1979), pp.48-60. Neil Collins, 'Still Recognisably Pluralist? State-Farmer Relations in Ireland', in Ronald J. Hill and Michael Marsh (eds.), Modern Irish Democracy: Essays in Honour of Basil Chubb (Dublin: Gill and Macmillan, 1993), pp.104-122.
6. Interviews with Colm Barnes and Donal Nevin, 30 Aug. and 19 Oct. 1995. Barnes became president of the Federation of Irish Industries in 1961 and represented that organisation on the CIO. He was involved in numerous meetings and discussions with Lemass on the future of Irish industry and the Irish economy in general during the early 1960s and has been credited with giving the FII a formidable bargaining stance with government in this period. He had originally been a businessman in the textile industry and set up Glen Abbey with his brother in 1939 employing three people. By 1983 when the firm went public on the stock exchange it had 1,100 employees. He was chairman of Coras Trachtala Teoranta from 1967 to 1977. Nevin was the first research officer appointed by the Irish Trade Union Congress in February 1949. He subsequently became the research officer of the Irish Congress of Trade Unions on its formation in 1959. He eventually

rose to become General Secretary of ICTU in 1982, a position he held until his retirement on 1989. He was one of the representatives of ICTU on the CIO and was later a member of the National Economic and Social Council. He was recognised as a formidable negotiator with government and is still active in labour history.

7. Panitch is quoted in Bill Roche, 'Social Partnership and Political Control: State Strategy and Industrial Relations in Ireland', in Mary Kelly, Liam O'Dowd and James Wickham (eds.), Power, Conflict and Inequality (Dublin: Turoe Press, 1982), p.48.
8. Phillippe C. Schmitter's 'Still the Century of Corporatism?', *Review of Politics*, vol. 36, 1974, is generally regarded as having kicked off the debate on corporatist structures in national policy making. For Ireland see Stephen Lalor, 'Corporatism in Ireland', *Administration*, vol.30, no.4, 1982, pp.43-72 and Niamh Hardiman and Stephen Lalor, 'Corporatism in Ireland: An Exchange of Views', vol.32, no.1, pp.76-88. Also Niamh Hardiman, 'The State and Economic Interests: Ireland in Comparative Perspective', in J.H. Goldthorpe and C.T. Whelan, The Development of Industrial Society in Ireland (Oxford: The British Academy, 1992). Martin Morrissey, 'The Politics of Economic Management in Ireland 1958-1970', *Irish Political Studies*, Vol. 1, 1986, pp.79-95 argues that the decision making which emerged was tripartist rather than corporatist.
9. J.J. Lee, 'Sean Lemass', in J.J. Lee (ed.), Ireland 1945-1970, p.20.
10. John Kurt Jacobsen, Chasing Progress in the Irish Republic: Ideology, democracy and dependent development (Cambridge: Cambridge University Press, 1994), p.73.
11. Brian Girvin, review of John Kurt Jacobsen, in *Irish Political Studies*, vol. 10, 1995, p.235.
12. J.J. Lee, Ireland 1912-1985, p. 528. For an analysis of Paddy Hogan's career as Minister for Agriculture in the Cumann na nGaedheal government, 1922-32, see Joan Cullen, Patrick J. Hogan, T.D., Minister for Agriculture, 1922-1932, Ph.D. thesis, Dublin City University Business School, 1993.
13. Paul Bew and Henry Patterson, Sean Lemass, p.194.
14. Denis O'Hearn, 'The Road from Import-Substituting to Export-Led Industrialisation in Ireland: Who Mixed the Asphalt, Who Drove the Machinery and Who kept Making Them Change Directions?' *Politics and Society*, Vol. 18, 1, 1990.
15. John Kurt Jacobsen, Chasing progress in the Irish Republic, p. 191.

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16. Cathal Guiomard, The Irish Disease And How To Cure It: Common Sense Economics For A Competitive World (Dublin: Oaktree Press, 1995).

Notes: Chapter One

1. Kieran A. Kennedy and Brendan R. Dowling, Economic Growth in Ireland: The Experience since 1947 (Dublin: Gill and Macmillan, 1975), p. 201.
2. Interview with Domhnall McCullough, 17 Aug. 1995. McCullough is the son of the late Denis McCullough first president of the Irish Republican Brotherhood who was a personal friend of Lemass. McCullough recalls them playing poker together: 'politics was never discussed during the game but always after'. Domhnall McCullough worked in Clondalkin paper mills after leaving the army in 1945 and later in the clothing trade. He is now chairman of the financial company James Crean.
3. David Jacobson, 'Theorizing Irish Industrialisation: The Case of the Motor Industry', *Science and Society*, vol. 53, No. 2, Summer 1989, p.167.
4. J.J. McElligott to Minister for Finance, 11 Feb. 1948, N[ational] L[ibrary], Joseph Brennan papers, MS 26359.
5. *ibid.*
6. Dillon to Glenavy, undated but by context [c. late Dec. 1949], Brennan papers, MS 26383.
7. *ibid.*
8. Glenavy to Dillon, 30 Dec. 1949, *ibid.*
9. Interview with Professor Patrick Lynch, 4 Apr. 1995. Professor Lynch entered the Department of Finance in 1941 and remained there until 1948 when he was transferred to the Department of the Taoiseach to act as an advisor to John A. Costello. He credits this appointment to his friendship with Alexis Fitzgerald, the son in law of Costello but it is also clear that Costello had a recommendation from McElligott regarding Lynch. Lynch describes Finance as a hotbed of conservative thinking during his time there, full of officials influenced by Whitehall and unwilling to come up with any ideas of their own. He left the civil service in 1952 to take up a position as an economics lecturer in UCD. While there he was one of the editors of the influential political and economics periodical *The Leader*. He later served on the Dollar Exports Advisory Committee and the Capital Investment Advisory Committee. He was appointed Professor of Political Economy in UCD in 1966.
10. MacBride is quoted in the *Sunday Independent*, 25 Sept. 1949.

11. Maurice Moynihan, Currency and Central Banking in Ireland 1922-60 (Dublin: Gill and Macmillan, 1975), p.354. See also Ronan Fanning, The Irish Department of Finance 1922-58 (Dublin: Gill and Macmillan, 1978), pp.442-455 for a vivid description and analysis of the devaluation crisis.
12. MacBride is quoted in the *Sunday Independent*, 6 Mar. 1950.
13. Memorandum for the Government, financial policy, 16 Oct. 1951, Brennan papers, MS 26428.
14. *ibid.*
15. Interview with Sean Cromien, 31 Oct. 1995. Cromien entered the civil service at the Board of Works in December 1949. He was promoted and moved to the Department of Finance in February 1952 as an administrative officer. He eventually became secretary of Finance in 1987 and retired in 1994.
16. Kieran A. Kennedy and Brendan R. Dowling, Economic Growth in Ireland, p.202.
17. See Denis O'Hearn 'The Road from Import-Substituting', pp.14-15. Also Lars Mjaset, The Irish Economy in a Comparative Institutional Perspective (Dublin: National Economic and Social Council, 1992), p. 268.
18. N[ational] A[rchives], D[eartment of the] T[aoiseach], S.16066A, Speech by Sweetman at Fine Gael ard-fheis, 6 Feb. 1957.
19. For a recent analysis of the powers of the Labour Court and the introduction of the Industrial Relations Act, see Richard Dunphy, The Making of Fianna Fail power in Ireland 1923-1948 (Oxford: Clarendon Press, 1995), pp.249-250.
20. Interview with T.K. Whitaker, 16 May, 1994. Whitaker entered the Department of Finance in 1938 and after rapid promotion was appointed secretary in 1956 at the age of 39. At this stage of his career he worked in the budget division of Finance, was associated with the deflationist camp and was responsible for writing the deflationist budgets of the early 1950s.
21. NA, DT, S.13814A, Industry and Commerce memorandum on the Control of Prices and Promotion of Industrial Efficiency, 26 Feb. 1946. See also Denis O'Hearn, 'The Road from Import-Substituting', p. 14.
22. Interview with Tadhg O'Cearbhaill, 23 Nov. 1995. O'Cearbhaill entered the civil service in 1937 where he was posted to revenue commissioners. He served as private secretary to three Ministers for Industry and Commerce, Sean Lemass, Daniel Morrissey and William Norton. He was principal officer

on the Foreign Trade Committee between 1957-60. He became assistant secretary at the Department of the Taoiseach in 1960 and was appointed the first secretary of the Department of Labour in 1967.

23. NA, DT, S.13814B, Department of Finance Memorandum: Comments on proposed legislation to establish an Industrial Efficiency Bureau, 4 Mar. 1946.
24. Quoted in Denis O'Hearn, 'The Road from Import-Substituting', p.14.
25. Barnes interview.
26. For a detailed analysis of the split in the trade union movement see Charles McCarthy, Trade Unions in Ireland 1894-1960 pp. 229-280. See also Donal Nevin, 'Decades of Dissension and Divisions 1923-1959', in Trade Union Century, pp. 94-96.
27. Nevin interview.
28. Ronan Keane, 'Supreme Court and the Trade Unions', *Hibernia*, Jan. 1962.
29. Educational Company of Ireland v. Fitzpatrick (1961) I.R. 345, quoted in Charles McCarthy, Trade Unions in Ireland 1894-1960, p.512.
30. Charles McCarthy, The Decade of Upheaval: Irish Trade Unions in the Nineteen Sixties (Dublin: Institute of Public Administration, 1973), p.34.
31. R.F.V. Heuston, 'Trade Unions and the Law', *Irish Jurist*, Vol. IV, p.10, 1969.
32. Emmet O'Connor, A Labour History of Ireland, 1824-1960 (Dublin: Gill and Macmillan, 1992), p.155.
33. Plunket is quoted in John L. Pratschke, 'Business and Labour in Irish Society, 1945-70' in J.J. Lee (ed.), Ireland 1945-70 (Dublin: Gill and Macmillan, 1979), p.39.
34. Nevin interview.
35. Brian Girvin, 'Trade Unions and Economic Development', p.123.
36. An account of Lemass's success in originally defeating MacEntee in responding to Labour, the unions and the working class can be found in , U[niversity] C[ollege] D[ublin] A[rchives], Sean MacEntee papers, P67/362-66.
37. Denis O'Hearn, 'The Road from Import-Substituting', pp.14-15.

38. Brian Farrell, Sean Lemass (Dublin: Gill and Macmillan, 1983), p.82.
39. Paul Bew and Henry Patterson, Sean Lemass, p.12. Also O'Cearbhaill interview.
40. NA, DT, S.11752A, Interim report of the Industrial Development Authority regarding industrial exports, 27 Sept. 1949.
41. Note for Minister for Finance, 18 Oct. 1949, UCDA, Patrick McGilligan papers, P35B/55.
42. Finance Memorandum on Proposed Industrial Development Board, 1949, McGilligan papers, P35B/69.
43. Memorandum on Proposed Industrial Development Board, undated [c. 1949], McGilligan papers, P35B/47.
44. Barnes interview. McGilligan's comment can be found in McGilligan papers, P35B/47.
45. Denis O'Hearn, 'The Road from Import Substituting', p.16.
46. *Irish Independent*, 21 Feb. 1949.
47. See Brian Girvin, Between Two Worlds, pp.173-174 for a fuller account of the DEAC and CTT.
48. Lynch interview. Lynch was a member of the Dollar Export Advisory Committee and the Foreign Trade Committee at this time.
49. Interviews with Aodogan O'Rahilly, 14 May 1994, Joseph McCullough, 8 Aug. 1995, Domhnall McCullough, 17 Aug. 1995, Colm Barnes 30 Aug. 1995. O'Rahilly was a major industrialist during this period, involved mainly in the production of roofing tiles. In 1936 he was appointed a board member of the semi-state company which became Bord na Mona. He became chairman of this company in 1959 and retired in 1974. He received an honorary doctorate from the NUI the same year for his contribution to the development of the company. He was also very active in Fianna Fail and a close associate of Lemass. He is the son of the 1916 leader, the O'Rahilly and the author of Winding the Clock: O'Rahilly and the 1916 Rising (Dublin: Lilliput Press, 1991). Joseph McCullough is a brother of Domhnall McCullough and was an engineer and general manager of a number of manufacturing companies during this period. He was an influential member of the National Economic Advisory Group of Cumann Na n-Innealtoiri.

50. Dail Debates, vol.119, col.1585, 9 Mar. 1950.
51. These comments are based from information gained from the interviews in n.49 above.
52. I would like to thank Dr. David Jacobson, Dublin City University Business School for discussing this point with me.
53. Lemass to Dwyer, quoted in Michael O'Sullivan, Sean Lemass A Biography (Dublin: Blackwater Press, 1994), p.118.
54. Joseph McCullough interview.
55. Brian Girvin, Between Two Worlds, p.176. See also Mary E. Daly, Social and Economic History of Ireland since 1800 (Dublin: Educational Company, 1981), pp.164-165.
56. O'Cearbhaill interview.
57. NA, DT, S.11987, Establishment of Industry: Underdeveloped Areas (Amendment Act), 1957.
58. NA, DT, S.16123, Industrial Grants Act, 1956.
59. Memorandum for the Government; Financial policy, 16 Oct. 1951, Brennan papers, MS 26248.
60. Alan Milward, The Reconstruction of Western Europe 1945-51 (London: Routledge, 1992), pp.183-184.
61. This comment is in a source entitled Reminiscence of an Irish Diplomat: Frederick H. Boland, Ambassador to London, Permanent Representative at the United Nations and President of the General Assembly 1960. It was compiled by Boland's daughter, Mella Boland (Crowley), and is based on a series of extended conversations between the two during the latter stages of his life. Copy in possession of the author.
62. Dermot Keogh, Twentieth Century Ireland Nation and State (Dublin: Gill and Macmillan, 1994), p.196.
63. Leon O'Broin, No Man's Man A Biographical Memoir of Joseph Brennan - Civil Servant and First Governor of the Central Bank (Dublin: Institute of Public Administration, 1982), p.157.
64. Lynch interview.
65. Cromien interview.

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66. *ibid.*
67. J.J. Lee, Ireland 1912-1985, p.303.
68. R.F. Foster, Modern Ireland: 1600-1972 (London: Allen Lane, 1988), p.577.
69. Whitaker is quoted in Ronan Fanning, The Irish Department of Finance, p.406.
70. Cromien interview.
71. Whitaker interview.
72. Whitaker's memorandum is cited in Denis O'Hearn, 'The Road from Import Substituting', p.25.
73. Whitaker interview.
74. George Duncan, 'The Budget of 1950' to Dublin Chamber of Commerce, 24 May 1950, Brennan papers, MS 26428.
75. Patrick Lynch, 'The Irish Economy Since the War, 1946-51' in Kevin B. Nowlan and T. Desmond Williams (eds.), Ireland in the War Years and After 1939-51 (Dublin: Gill and Macmillan, 1969), p.198.
76. See for example MacEntee's letters to the *Irish Press*, 12, 15 and 21 Aug. 1953 on this topic.
77. See O'Higgins' letters to the *Irish Press*, 14 and 20 Aug. 1953. Hayes's original penning of the letter of 20 Aug. is in UCDA, Hayes papers, P53/226(1) and is entitled letter from Fine Gael to the *Irish Press*, 17 Aug. 1953.
78. *ibid.*
79. De Valera is reported as having praised Marshall Aid in the *Irish Press* of 8 and 13 Jan. 1949.
80. *The Leader*, 12 Apr. 1952.
81. Dail Debates, Vol. 120, col. 1629, 3 May 1950.
82. Lynch interview.
83. John A. Murphy, Ireland in the Twentieth Century, 2nd ed. (Dublin: Gill and Macmillan, 1989), p.121.

84. Lynch interview. Keynes's Finlay lecture is reprinted as John Maynard Keynes, 'National Self Sufficiency' in *Studies*, vol. xxii, no. 86, June 1933, pp.177-93.
85. Private information.
86. Whitaker interview.
87. Ronan Fanning, The Irish Department of Finance, pp.457-8. Also Lynch interview.
88. Patrick Lynch, 'The Irish Economy Since the War, 1946-51', p.187.
89. McGilligan to Brennan, undated but by context [c. mid 1950?] Brennan papers, MS 26383.
90. J.J. Lee, Ireland 1912-1985, pp. 312-313.
91. Annual Report of the Central Bank, 1949-1950, Brennan papers, MS 26240.
92. Annual Report of the Central Bank, 1950-1951, *ibid.*
93. For a vivid account of both views see Maurice Moynihan, Currency and Central Banking, pp.374-385.
94. *Irish Press*, 24 Oct. 1951.
95. Trend of External Trade and Payments 1951, 23 Oct. 1951. Brennan papers, MS 26240. MacEntee maintained that the Government paper showed the correctness of the Central Bank's position.
96. Dail Debates, vol. 127, col.300, 7 Nov. 1951.
97. MacBride went public with his protest writing to the *Irish Independent* on the folly of the government's position. See his letter of 25 Oct. 1951.
98. Dillon is quoted in the *Sunday Independent*, 28 Oct. 1951.
99. The ITUC's response is given in Maurice Moynihan, Currency and Central Banking in Ireland, pp.379-380. I have been unable to trace a response in the Congress archives located in the National Archives.
100. Brian Girvin, Between Two Worlds, p.170.
101. McElligott to McGilligan, 17 Feb. 1951, Brennan papers, MS 26241.
102. *ibid.*

103. Memorandum for the Government, Third Report of the OEEC, 15 Mar. 1951, *ibid.*
104. Noel Browne, Against The Tide (Dublin: Gill and Macmillan, 1986), p.200.
105. Cromien interview.
106. Noel Browne, Against The Tide, p.200
107. T.K. Whitaker, quoted in Ronan Fanning, The Irish Department of Finance, p.458.
108. Of the important spending ministries in the government, William Norton, James Everett and T.J Murphy of the Labour Party held the posts of Social Welfare, Posts and Telegraphs and Local Government respectively; Dan Morrissey, Fine Gael at this stage, but formally in Labour held Industry and Commerce; and James Dillon, not at this stage a formal member of Fine Gael held agriculture. As Ronan Fanning points out, none could be accounted party colleagues of McGilligan's in the fullest sense, *ibid*, p.459.
109. Memorandum for the Government, financial policy, 16 Oct. 1951, Brennan papers, MS 26241.
110. J.J. Lee, Ireland 1912-1985, p.324.
111. Lord Longford and Thomas P. O'Neill, Eamon de Valera (London: Arrow, 1970), p.439. See also, Brian Farrell, Sean Lemass, p. 85. Farrell's evidence is based on an interview with Lemass.
112. Maurice Moynihan, Currency and Central Banking in Ireland, 1922-60, p.390. Moynihan was a director of the Central Bank from 1953 to 1960 and Governor from 1961 to 1969. From 1937 to 1960 he was secretary to the Government and is historically regarded as a fiscal and social conservative.
113. Dail Debates, vol. 130, col. 1123, 2 Apr. 1952.
114. Seanad Debates, vol. 40, col. 1648, 19 June 1952.
115. Kieran A. Kennedy and Brendan R. Dowling, Economic Growth in Ireland, p.215.
116. Interdepartmental committee on food subsidies to Minister for Industry and Commerce, undated but by context [c. early 1952] Brennan papers, MS 26428. This committee consisted of chairman J. Williams (Industry and Commerce), T.J. Barrington (Local Government), P.J. Keady (Social Welfare), M.D. McCarthy (Central Statistics Office), J.C. Nagle (Agriculture), T.K. Whitaker (Finance) and secretary to the committee M. Morton.

117. *ibid.*
118. Memorandum for the Government, food subsidies, 1952-53, 31 Dec. 1951, Brennan papers, MS 26428.
119. Untitled file dated 3 Mar. 1952, Brennan papers, MS 26040 (1).
120. Seanad Debates, vol. 40, col. 1648, 19 June 1952.
121. Seanad Debates, vol. 40, col. 1628, 19 June 1952.
122. *ibid.*
123. Dail Debates, vol. 130, col. 1315, 3 Apr. 1952.
124. NA, I[rish] C[ongress of] T[rade] U[nions] A[rchive], Box 33, (Part one) 7222, Statement on budget issued by National Executive, 21 Apr. 1952.
125. *ibid.*
126. Quoted in Ronan Fanning, The Irish Department of Finance, p.485.
127. Whitaker interview.
128. Lynch interview.
129. Kieran A. Kennedy and Brendan R. Dowling, Economic Growth in Ireland, p.216.
130. *The Leader*, 12 Apr. 1952.
131. *The Leader*, 2 Aug. 1952.
132. *The Statist*, 19 Apr. 1952.
133. Annual Report of the Central Bank, 1951-1952. Brennan papers, MS 26435.
134. *The Standard*, 28 Nov. 1952.
135. J.J. Lee, Ireland 1912-1985, p.325.
136. *The Cork Examiner*, 3 Apr. 1953.
137. *The Leader*, 5 July 1952.
138. Annual report of the Central Bank, 1951-1952, as in n.133 above.
139. Lynch interview.

140. *The Cork Examiner*, 20 Nov. 1952.
141. *Evening Herald*, 20 Nov. 1952.
142. Eamon de Valera, 'An Election Broadcast', 14 May 1954 in Maurice Moynihan (ed.), Speeches and Statements of Eamon de Valera (Dublin: Gill and Macmillan, 1980), p.567.
143. Brennan to Fussell, 22 Mar. 1953, Brennan papers, MS 26041.
144. Meenan to Brennan, 21 Apr. 1953, *ibid.*
145. MacEntee to Brennan, 6 Jan. 1953, *ibid.*
146. Glenavy to Brennan, 7 Jan. 1953, *ibid.*
147. Stephen Lalor, 'Planning and the Civil Service 1945-1970', *Administration*, vol.43, no.4, Winter 1995-96, p.57.
148. McElligott to MacEntee, 11 Mar. 1954, MacEntee papers, P67/224.
149. See his speech to the Dail on the report: Dail Debates, vol. 127, cols. 298 - 316, 7 Nov. 1951.
150. Dail Debates, vol. 130, cols. 241-242, 21 Mar. 1952.
151. MacEntee to Lemass, 27 Sept 1952. Brennan papers, MS 26040 (2).
152. IBEC Technical Services Corporation, An Appraisal of Ireland's Industrial Potential (Dublin and New York: Stationary Office 1952).
153. Private information.
154. Private information.
155. *The Economist*, 6 Dec. 1952.
156. Private information.
157. Whitaker to MacEntee, 2 June 1954, MacEntee papers, P67/227.
158. Department of Finance Observations on Establishment of a National Development Fund, 25 Aug. 1953, MacEntee papers, P67/221.
159. Observations of Central Bank on National Development Fund, 24 Aug. 1953, MacEntee papers, P.67/221(3).
160. Private information.

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161. Observations of Central Bank on National Development Fund as in n.159 above.
162. F[ianna] F[ail] Parliamentary Party Minutes, 441/A, 26 Nov. 1952.
163. FF, Parliamentary Party Minutes, 441/A, 14 Jan. 1953.
164. FF Parliamentary Party Minutes, 441/A, 22 July 1953.
165. FF Parliamentary Party Minutes, 441/A, 27 Jan. 1954.
166. NA, DT, S.13101C/1, Report of meeting between ITUC, the Labour Party and the Taoiseach and Tanaiste, 4 July 1953.
167. See Paul Bew and Henry Patterson, Sean Lemass, p.66.
168. O'Rahilly interview.
169. The TID 2600 file series of the department shows manufacturers of a wide range of products inundating the department with applications for increases in tariffs on imported opposition. The TID 1207 'Control of Manufactures Acts' files has in its index over 60 pages of files on questions from various manufacturers on how any removal of duties would affect their businesses.
170. Brian Girvin, Between Two Worlds, p.180.
171. The Control of Manufactures Acts, 1932-34 attempted to ensure that companies established behind the increasing tariff barriers of the 1930s and the numerous quota and licensing restrictions would remain under Irish control by requiring that more than half the equity of new firms should be Irish owned. For a detailed analysis of the acts see: Mary Daly, 'An Irish Ireland for business?: the Control of Manufactures Acts, 1932 and 1934', *Irish Historical Studies*, xxiv, no. 94, Nov. 1984.
172. Cromien interview.
173. E.A. McGuire, 'Private Enterprise or Socialism?', *Irish Monthly*, Oct. 1951, pp.424-425.

Notes: Chapter Two

1. Brian Girvin, Between Two Worlds, p.180.
2. O'Rahilly interview.
3. Speech at Rathmines, undated [c. mid May. 1954?], MacEntee papers, P67/338(5).
4. T. Desmond Williams, 'The Politics of Irish Economics' in *The Statist*, special issue on Ireland, 24 Oct. 1953, p.24
5. These figures are given in Richard Sinnott, Irish Voters Decide Voting Behaviour In Elections And Referendums Since 1918 (Manchester: Manchester University Press, 1995), pp.299-300.
6. Lynch interview.
7. Paul Bew and Henry Patterson, Sean Lemass, p.76.
8. *The Irish Times*, 25 July 1953.
9. *The Leader*, 12 Apr. 1952.
10. These quotations are taken from Michael Gallagher, The Irish Labour Party in Transition 1957 - 82 (Dublin: Gill and Macmillan, 1982), pp. 179, 293 n.79.
11. Brendan M. Walsh, 'Economic Growth and Development, 1945-70', in J.J. Lee (ed.) Ireland 1945-70, p.29.
12. Boland file.
13. Kieran Kennedy and Brendan Dowling, Economic Growth in Ireland, p.204.
14. Paul Bew and Henry Patterson, Sean Lemass, p.79.
15. Sweetman is quoted in *Round Table*, vol. 40, 1956, p.375.
16. Brendan M. Walsh, 'Economic Growth and Development', 1945-70, p.30
17. Census Population of Ireland 1956. Vol. 1 (Dublin: Stationary Office, 1956).
18. Quoted in Paul Bew and Henry Patterson, Sean Lemass, pp.79-80.

notes to pages 61-66

19. Department of Industry and Commerce, memorandum on setting up state owned pulp and paper industry, 15 Oct. 1956, I[rish] L[abour] H[istory] S[ociety] A[rchives], William Norton papers, Box 6, (103).
20. Paul Bew and Henry Patterson, Sean Lemass, p.82
21. Speech by Beddy on Investment Possibilities in Ireland, 22 Mar. 1955, Norton papers, Box 3 (59).
22. William Norton, 'Ways to Prosperity', Irish Times Review and Annual, 1957, p.4
23. O'Rahilly interview.
24. *Irish Press*, 12 Oct. 1955.
25. Department of Finance notes on speech by Taoiseach, Oct 5, 1956. McGilligan papers, P.35C/117.
26. O'Donovan to Sweetman, undated Jan. 1956, McGilligan papers P35C/117.
27. This paper is reprinted in T.K. Whitaker, Interests (Dublin: Institute of Public Administration, 1983), pp.19-53.
28. Ronan Fanning, The Irish Department of Finance, p.502. For a contrast in Whitaker's writings see his 'The Finance Attitude' in *Administration*, vol. 2, no. 3, 1953 and the Capital Saving paper.
29. See in particular Bew and Patterson, Sean Lemass, p.117 ff; Brian Girvin, review of John F. McCarthy (ed.), Planning Ireland's Future: The Legacy of T.K. Whitaker in *Irish Political Studies* 6, 1991, pp. 111-112.
30. J.J. Lee, 'Economic Development in Historical Perspective', in John F. McCarthy (ed.) Planning Ireland's Future (Dublin: Glendale, 1990), p.122.
31. See for example Whitaker's articles 'Economic Development 1958-1985' in Kieran A. Kennedy, Ireland in Transition (Dublin: Mercier, 1986), pp.10-18 and 'The Irish Economy since the Treaty', extract from the Annual Report of the Central Bank, 1976, pp.91-103.
32. Costello is quoted in John F. McCarthy, 'Ireland's Turnaround: Whitaker and the 1958 Plan for Economic Development' in John F. McCarthy (ed.) Planning Ireland's Future, p.29.
33. Whitaker interview.
34. T.K. Whitaker, 'Ireland's Development Experience' in Interests p.9

35. J.J. Lee, 'Economic Development in Historical Perspective', p.122. Lee suggests that Sweetman appointed Whitaker to the secretaryship in the expectation that Whitaker would continue traditional Finance policy. Sweetman was an ardent advocate of financial retrenchment and showed scant sympathy for expansionary ideas. Whitaker has credited Sweetman with preparing much of the groundwork for *Economic Development*, but it is clear that as secretary he was not going to be a hostage to the fortune of financial orthodoxy.
36. Costello's speech was to an inter-party meeting in Dublin. It was entitled 'The Policy for Production' and eventually became Fine Gael's manifesto in the 1957 general election. McGilligan papers P35C/117.
37. Private information.
38. Basil Chubb, 'Ireland 1957' in D.E. Butler (ed), Elections Abroad (London: Macmillan, 1959), p.192.
39. John F. McCarthy, 'Ireland's Turnaround', p.68, n.36.
40. Sweetman address to electors of Kildare, undated [c. Mar. 1957?], MacEntee papers, P67/391.
41. *ibid.*
42. Speech by de Valera in Cork, 31 July 1956, MacEntee papers, P67/391.
43. Speech by MacEntee at Naas, 3 Mar. 1957, MacEntee papers, P67/392(6).
44. Speech by MacEntee at Dun Laoighre, undated [c. early Mar. 1957], MacEntee papers, P67/392(6).
45. *ibid.*
46. I would like to thank John Horgan of Dublin City University, who is currently working on a biography of Lemass, for providing me with this information.
47. Private information.
48. This memorandum can be found in the MacEntee papers, P67/53(1), with criticisms by MacEntee marked in pencil in the margins.
49. FF Party Committee Meeting, FF48, 7 Sept. 1955.
50. FF Party Committee Meeting, FF48, 17 Nov. 1954.

51. MacEntee's reaction is quoted in Ronan Fanning, 'The Genesis of Economic Development', p.95. The exact quote can be found in the MacEntee papers P67/815 where it is termed 'note of meeting with dev'. MacEntee rarely mentioned political events in his diary and does not offer any explanation for de Valera's decision.
52. Brian Farrell, Sean Lemass, p.95.
53. Cromien interview.
54. J.J. Lee, Ireland 1912-1985, p.341.
55. De Valera is quoted in John F. McCarthy, 'Ireland's Turnaround', p.51.
56. Tim Pat Coogan, De Valera: Long Fellow, Long Shadow (London: Hutchinson, 1993), p.671.
57. See for example FF Parliamentary Party Minutes, FF 441/A, 26 Feb., 15 Apr., and 26 May 1948.
58. Whitaker interview.
59. Whitaker is quoted in McCarthy, 'Ireland's Turnaround', p.52.
60. Pauric Travers, Eamon de Valera (Dublin: Historical Association of Ireland, 1994), p.44.
61. NA, DT, S.15281D, Effects on Industry of the formation of the Free Trade Area, 2 Feb. 1957.
62. Lynch interview.
63. Notes for lecture in 1957 entitled 'Is emigration inevitable in Ireland?', UCDA, Todd Andrews papers, P91/136 (1). The speech is undated.
64. For an analysis on the comparative success of protectionism in the 1950s see Brian Girvin, Between Two Worlds, pp.199-200.
65. Joseph Lee and Gearoid O'Tuathaigh, The Age of de Valera (Dublin: Ward River Press, 1982), p.159.
66. FF Parliamentary Party Minutes, FF 441/A, 15 Jan. 1957.
67. Dail Debates, vol. 161, col. 958, 8 May 1957.
68. Whitaker is quoted in Ronan Fanning, The Irish Department of Finance, p.507.

69. T.K. Whitaker, 'Ireland's Development Experience', in Interests, pp.8-9
70. K. Theodore Hoppen, Ireland Since 1800 Conflict and Conformity (London: Longman, 1989), p.218.
71. J.J. Lee, 'Sean Lemass', p.22.
72. Is emigration inevitable in Ireland?, as in n.63 above.
73. 'Ireland To-morrow' *Studies*, vol. xlv, no. 173, Spring, 1955, p.1. The editor was Ronald Burke Savage, S.J.
74. Terence Browne, Ireland: A Social and Cultural History 1922-1985 (London: Fontana, 1981), p.228.
75. C.S.Andrews, Man of No Property, pp. 298-300.
76. Joseph Robins, Custom House People, p.152.
77. Interview with Tom Barrington, 8 Mar. 1995. Barrington entered the civil service in 1941 and was assigned to the Department of Finance. He later transferred to the Department of Local Government and Public Health. He was the first editor of *Administration* and became the first director of the Institute of Public Administration on its establishment in 1957. He held this office until his retirement in 1977.
78. Garret FitzGerald, 'Four Decade of Administration' in *Administration Cumulative Index Volumes 1-40* (1953-1992), Institute of Public Administration, 1994, p.ix.
79. Barrington interview.
80. Garret FitzGerald, *Four Decades of Administration*, p.x.
81. T.K. Whitaker, 'The Finance Attitude' in *Administration*, vol. 2, no. 3, 1954.
82. Lynch interview.
83. Interview with Dermot Nally, 10 Nov. 1995. Nally entered the civil service at the Office for Public Works in 1948. He was transferred to the Department of Local Government in 1952 and worked there until 1973. He was eventually appointed secretary to the Government in 1980.
84. Is emigration inevitable in Ireland?, as in n.63 above.
85. C.S. Andrews, Man of No Property, p.297.

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86. Ruth Barrington, Health, Medicine and Politics in Ireland 1900-1970 (Dublin: Institute of Public Administration, 1987), p.252.
87. William Philbin, 'Patriotism', *Christus Rex*, vol. xii, no 2, Apr. 1958, p.86.
88. Whitaker interview.
89. William Philbin, 'Patriotism', p.87.
90. Terence Cosgrove, 'Retrospect of thirty years of Irish freedom', *Christus Rex*, vol. xiii, no. 4, Oct. 1959, pp.267-68.
91. Interview with Archbishop Joseph Cassidy, 7 Apr. 1996. Archbishop Cassidy was ordained in 1959 and went on to become Bishop of Clonfert in 1979. He was appointed Archbishop of Tuam in 1987, but retired due to ill health in 1995. He is now parish priest in Moore County Roscommon.
92. PMcK, 'Notes and Comments', *Christus Rex*, vol. xiii, no. 3, Apr. 1959, p.214.
93. William Conway, 'The Church and State Control', *Christus Rex*, vol. vi, no. 2, Apr. 1952, p.119.
94. *ibid*, p.113 and 126.
95. Patrick Lynch, 'The Economist and Public Policy', *Studies*, vol. xlii, no. 206, p.250.
96. Lynch interview.
97. Coyne's comment can be found on p.263 and King's on p.266 of *Studies*. Their responses are titled 'Comments on the Foregoing Article'. The other respondents were John O'Donovan and Kevin Quinn, S.J.
98. I am grateful to Professor Ronan Fanning of University College Dublin for providing me with this information. See his 'The Genesis of Economic Development', p. 104 for Whitaker's use of Philbin's comments in the introduction of Economic Development.
99. Labhras O'Nuallain, 'Potentialities of the Irish Economy', *Christus Rex*, vol. xii, no. 2, Apr. 1958, p.127-28.
100. *ibid*, p.133.
101. *ibid*. p.136.
102. Information gathered from interviews with these former officials.

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119. Lemass to O'Halpin, 19 Dec. 1957, O'Halpin papers.
120. Kelly interview.
121. Speech at Cumann Na n-Innealtoiri symposium, 28 Mar. 1958, Andrews papers, P91/136.
122. Speech to Midland branch of Tuairim, Ballinasloe, 28 Sept. 1960, *ibid.*
123. Lynch interview.
124. FF Parliamentary Party Minutes, FF 441/B, 11 Dec. 1958.
125. FF Parliamentary Party minutes, FF 441/B, 28 Jan. 1959.
126. See for example FF Parliamentary Party Minutes, FF 441/B, 4 Mar., 11 Mar., 29 Apr. 1959.
127. Garret FitzGerald, 'Grey, White and Blue: A Review of Three Recent Economic Publications', in Basil Chubb and Patrick Lynch, Economic Development and Planning (Dublin: Institute of Public Administration, 1969), p. 118.
128. T.K. Whitaker, 'Ireland's Development Experience', p.9.
129. Garret FitzGerald, Planning in Ireland, p.26.
130. J.J. Lee, Ireland 1912-1985, p.344.
131. Economic Development, (Dublin: Stationary Office, 1958), p.218.
132. David O'Mahony, 'Economic Expansion in Ireland', *Studies*, vol. xlvi, no. 190, Summer 1959, p.134.
133. Is emigration inevitable in Ireland?, as in n.63 above.
134. Garret FitzGerald, 'Mr Whitaker and Industry', *Studies*, vol. xlvi, no. 190, Summer 1959, p.149.
135. T.K. Whitaker, 'Financial Turning Points', in Interests, p.91.
136. *ibid.*
137. I would like to thank Professor Kieran Kennedy of the ESRI and John Horgan for discussing this topic with me.
138. Report of the Federation of Irish Manufacturers: Annual General Meeting, in *Irish Industry*, vol. 25, no. 3, Mar. 1957, p.43, quoted in Denis O'Hearn,

'The Road form Import-Substitution', p.29.

139. *Irish Industry*, vol. 27, no. 1, Jan. 1959, pp. 3-4, quoted in *ibid.*
140. Murray interview.
141. D[epartment of] F[inance], F.121/15/59, Reasons for Reducing Protection, 14 Dec. 1959.
142. Barnes interview.
143. Reasons for Reducing Protection, as in n.141 above.
144. *ibid.*
145. Federation of Irish Industries, 'European Free Trade and the Prospects for Irish Industry', Sept. 1959.
146. Barnes interview, Murray interview.
147. Reasons for Reducing Protection, as in n.141 above.
148. MacCarthy to Whitaker, 22 Dec. 1959, *ibid.*
149. *ibid.*
150. Whitaker to MacCarthy, 23 Dec. 1959, *ibid.*
151. MacCarthy to Whitaker, 24 Dec. 1959, *ibid.*
152. Andrews quotes Kavanagh in 'Is emigration inevitable in Ireland?' as in n.63 above.
153. Whitaker to MacCarthy, 31 Dec. 1959, as in n.141 above.
154. Private information.
155. Whitaker to Cremin, 22 Dec. 1959, as in n.141 above.
156. MacCarthy to Whitaker, 5 Jan. 1960, *ibid.*
157. I am grateful to John Horgan for providing me with the information on Lemass seeing the correspondence.
158. Cremin to Whitaker, 21 Dec. 1959, as in n.141 above.
159. Whitaker to Cremin, 22 Dec. 1959, *ibid.*

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160. *ibid.*
161. Whitaker to MacCarthy, 7 Jan. 1960, *ibid.*
162. Private information.
163. MacCarthy to Whitaker, 9 Jan. 1960, as in n.141 above.
164. Whitaker to McCarthy, 11 Jan. 1960, *ibid.*
165. O'Cearbhaill interview. The four secretaries committee refers to a committee on free trade consisting of Con Cremin (External Affairs), J.C.B. MacCarthy (Industry and Commerce), J.C. Nagle (Agriculture) and T.K. Whitaker (Finance).
166. DF, F.121/36/63, Industry and Commerce memorandum on 10 per cent tariff cut, 8 Nov. 1962.
167. O'Cearbhaill interview.
168. NA, DT, S. 2850 F/64, Lemass to Mrs. Margaret Greenan, 18 July 1959.
169. DF, F.121/20/60, Note of Meeting of Secretaries held in the Department of Finance, 6 Apr. 1961.
170. O'Cearbhaill interview.
171. DF, F.121/36/63, Whitaker to MacCarthy, 19 July 1962.
172. *ibid.*
173. MacCarthy to Nicholas O'Nuainlain, 2 Aug. 1962, *ibid.*
174. Private information.
175. DF, F.121/36/63, Department of Industry and Commerce, Memorandum for the government, unilateral 10% Tariff Cut, Nov. 1962.
176. DF, F.121/20/60, Note of Meeting of the Committee of Secretaries, 13 Nov. 1962.

Notes: Chapter Three

1. This figure is given in NA, DT, S.16474A, Criticism of Economic Development by Departments of Health and Industry and Commerce with details of disparity between Ireland and Britain, 4 July 1958.
2. Jonathan Haughton, 'The Historical Background', in John W. O'Hagan, The Economy of Ireland: Policy and Performance, 6th ed. (Dublin: Irish Management Institute, 1991), p.38.
3. See Alan Milward, The Reconstruction of Western Europe: 1945-1951; Peter Katzenstein, Small States in World Markets (Ithaca, New York: Cornell University Press, 1985).
4. See Kieran Kennedy, Thomas Giblin and Deirdre McHugh, The Economic Development of Ireland in the Twentieth Century (London: Routledge, 1988), pp.14-15.
5. Brian Girvin, 'Trade Unions and Economic Development', p.124.
6. See n.26, Chapter 1.
7. Nevin interview.
8. *ibid.*
9. John L. Pratschke, 'Business and Labour in Irish Society', 1945-70, p.39.
10. Nevin interview.
11. Niamh Hardiman, 'Pay Bargaining: Confrontation and Consensus', in Trade Union Century, p.149.
12. NA, ICTU Archive, Box 33, (part 1) 7221, Termination of 1948 Agreement, 24 Oct. 1950.
13. NA, ICTU Archive, Box 33, (part 1) 7222, Statement on Provisional Agreement on Wage Policy, 30 May 1952.
14. Donal Nevin to General Secretary of each Affiliated Organisation on National Executive of ITUC, 5 June 1952, *ibid.*
15. John O'Brien, Director General of the FUE to Secretary of the ITUC, 27 May 1952, *ibid.*

16. Role of Budget in Economy, Statement on budget issued by National Executive of ITUC, 21 Apr. 1952. *ibid.*
17. ITUC memorandum, Wages and Prices - Some questions answered, undated [c. May 1952?], *ibid.*
18. Nevin interview.
19. O'Brien to Secretary, ITUC, 27 May 1952, as in n.13 above.
20. *ibid.* The principles refer to the provisional agreement on wage policy drafted by the FUE and sent to the ITUC by O'Brien on 22 May 1952. These principles included the ceiling figure of 12/6d. The ITUC also had difficulty with the principle declaring: 'discourage by every means restrictive practices. Thus applications for wage increases should be only made where necessary and economically justifiable and in all cases should have full regard for the maintenance of the national good'.
21. Charles McCarthy, The Decade of Upheaval, p.23.
22. O'Brien is quoted in Rona Fitzgerald, 'The First Fifty Years' in Basil Chubb (ed.), Federation of Irish Employers 1942-1992 (Dublin: Gill and Macmillan, 1992), p.15.
23. *ibid.*
24. Charles McCarthy, Trade Unions in Ireland 1894-1960, p.437.
25. NA, ICTU Archive, Box 41, (Part 1) 7331, Attitude of the Trade Unions Towards The European Free Trade Area, undated [c. mid 1957 ?].
26. Report on European Industrial Conference, London 19-21 Feb. 1958, *ibid.*
27. Ireland and the Free Trade Area, 16 July 1957, *ibid.*
28. According to the International Labour Organization, Irish labour costs, calculated as wages paid plus obligatory contributions by employers and employees to social security plus cost of holidays and other days off with pay, were among the lowest in Europe. In an index of labour costs taking Switzerland as 100, Ireland was the lowest on 58, Austria 60, Holland 62, Italy 73, Britain 88 and Sweden highest on 128.
'Social Aspects of European Economic Co-operation' (International Labour Organization, June 1956), Table 1, Appendix D, p.33.
29. Ireland and the Free Trade Area, 16 July 1957, as in n.27 above.
30. *ibid.*

31. Statement by Laurence Hudson, President of PUTUO at Jury's under auspices of Chartered Institute of Secretaries, 21 Mar. 1957. *ibid.*
32. See Francis Devine, 'Obituary Essay "A Dangerous Agitator": John Swift 1896-1990, Socialist, Trade Unionist, Secularist, Internationalist, Labour Historian', *Saothar* 15 (1990), pp.7-19. Also John P. Swift, John Swift: An Irish Dissident (Dublin: Gill and Macmillan, 1991).
33. John Swift to Secretary of PUTUO, 12 Aug. 1957 as in n.25 above.
34. *ibid.* See also Swift's memorandum to the Secretary of PUTUO on 'Proposed Free Trade Area in Europe', 7 Mar. 1957.
35. Federation of Irish Industries - Annual Report, 1959. Quoted in NA, DT, S.15279B/1.
36. Tongue is quoted in the *Irish Press*, 27 Jan. 1960.
37. Fine Gael memorandum on EFTA, 23 Jan. 1958 as in n.25 above. The memorandum was not intended to indicate official Fine Gael policy. It was prepared by a committee of experts on behalf of its research and information centre.
38. *ibid.*
39. Meeting between Department of Industry and Commerce and Provisional United Trade Union Organisation, 8 Jan. 1958, as in n.25 above.
40. Donal Nevin, 'Decades of Dissension and Divisions', p.96.
41. Charles McCarthy, The Decade of Upheaval, p.24.
42. NA, ICTU Archive, Box 42 (Part 2), Meeting with the Taoiseach 1959, 3 Sept. 1959.
43. Brian Girvin, 'Trade Unions and Economic Development', p.125.
44. ICTU proposed meeting with Taoiseach - Meeting of Resident Committee, 24 Aug. 1959, as in n.42 above.
45. Address by Padraic O'Halpin to a meeting of Tuairim entitled 'An Authority for the Mechanical Engineering Industry', 3 Apr. 1959. I would like to thank Joseph McCullough for supplying me with a copy of this paper. It can also be found in NA, ICTU Archive, Box 43 (Part 2) Economic Committee, 4005/B.
46. Whitaker interview.
47. Meeting with the Taoiseach, 1959 as in n.42 above.

48. Whitaker interview.
49. Brian Girvin, 'Trade Unions and Economic Development', p.126.
50. Speech by Lemass at Inchicore on State Development Activities, 4 July 1959 as in n.42 above.
51. Whitaker interview. Also interview with Charles Murray, 19 July 1995. Murray entered the civil service in the Department of the Taoiseach in 1934 and was that department's representative on the Foreign Trade Committee in the early 1950s. He served as an economic advisor to de Valera in the 1951-54 Fianna Fail government, and remained an assistant secretary in the Taoiseach's department until 1958 when at the behest of Whitaker he was moved to Finance. Besides Whitaker he was the official most heavily involved in the formulation of Economic Development. He became head of the development division of Finance in 1963 and eventually was appointed secretary in 1969.
52. Kieran Kennedy and Brendan Dowling, Economic Growth in Ireland, p.233.
53. Cathal Guiomard, The Irish Disease And How To Cure It: Common Sense Economics For A Competitive World, p.214.
54. *ibid*, p.215.
55. NA, ICTU Archive, Box 41 (Part 2) 3810, Meeting between representatives of Congress and FII, 10 May 1956.
56. J.J. Stacey, Director-General of the FII to Ruaidhri Roberts, Joint Secretary of ICTU, 14 Mar. 1960, as above. The comment "not acceptable" is written in the margin of the letter in the file.
57. Interview with Sir Christopher Audland, 18 Feb. 1994. Audland was First Secretary at the Brussels negotiations between October 1961 and January 1963 during the first British application.
58. Garret FitzGerald, All in a Life: An Autobiography (Dublin: Gill and Macmillan, 1991), p.59.
59. C. Brock, 'The CIO Industrial Survey', *Journal of the Statistical and Social Inquiry Society of Ireland*, Vol. 21, 1963-4, p.176.
60. *The Irish Times*, 6 July 1961.
61. O'Rahilly interview.
62. Fitzpatrick is quoted in *Hibernia*, Mar. 1962.

63. *"Industrial Review"*, *The Journal of the Federation of Irish Industries*, Vol. 18, No. 5, Sept. - Oct. 1961.
64. Sean Hutton, 'Labour in the post-independence Irish state: An overview', in Sean Hutton and Paul Stewart (eds.), Ireland's Histories: Aspects of State, Society and Ideology (London: Routledge, 1991), p.63.
65. Lynch interview. See also Patrick Lynch, '1894-1994: An Overview' in Trade Union Century p.169
66. Nevin interview.
67. NA, ICTU Archive, Box 44 (Part 2) 4011, ICTU, Economic Committee, Memorandum on the Application for entry to the EEC, July 1961.
68. Nevin interview.
69. Barnes interview.
70. NA, DT, S.16877Y/62, Meeting between the Taoiseach, the Minister for Industry and Commerce and the Federation of Irish Industry, 8 Jan. 1962.
71. Private information.
72. Joseph McCullough interview.
73. Domhnall McCullough interview.
74. NA, DT, S.17120A/62, Meeting between the Taoiseach, the Minister for Industry and Commerce and the Irish Congress of Trade Unions, 11 Jan. 1962.
75. *Hibernia*, Jan. 1962.
76. NA, ICTU Archive, Box 41 (Part 2) 3811, ICTU statement concerning wage negotiations, 31 May 1963.
77. Garret FitzGerald, in Federation of Irish Employers, p. 114.
78. Ruaidhri Roberts to Lemass, 9 Feb. 1963, as in n.76 above.
79. Whitaker speech to Workers Union of Ireland seminar, 24 Feb. 1962. Quoted in *ibid*.
80. NA, ICTU Archive, Box 44 (Part 2) 4011, ICTU Policy Statement on Entry to the EEC, July 1962.
81. Dail Debates, vol. 199, col. 939, 5 Feb. 1963.

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82. Garret FitzGerald, Planning in Ireland (Dublin: Institute of Public Administration, 1968), p.60.
83. NA, ICTU Archive, Box 43 (Part 2) 4011/A, Consultative Conference, 22 Mar. 1963.
84. Lemass is quoted as speaking on 25 Feb. 1963 in *ibid.*
85. C. Brock, 'The CIO Industrial Survey', p.185.
86. ICTU Consultative Conference, as in n.76 above.
87. Committee on Industrial Organisation. Final Report. (Dublin, 1965).
88. Conroy is quoted in the *Irish Press*, 10 July 1963.

Notes: Chapter Four

1. J.J. Lee, Ireland 1912-1985, pp.72-73.
2. Maurice Manning, 'The Farmers', p.48.
3. *ibid*, p. 53
4. NA, DT, S.15593A, Speech by Greene to inaugural meeting of the NFA, 6 Jan. 1955.
5. Louis P.F. Smyth, 'The Role of Farmers Organizations', *Studies*, vol. xlv, no. 173, Spring 1955, pp.55-56.
6. NA, DT, S.15593A, Statement by John O'Dwyer to joint committee of farmers groups, 12 Dec. 1953.
7. *ibid*.
8. *Irish Independent* 13 Oct. and 13 Nov. 1954. *The Irish Times*, 20 Nov. 1954.
9. NA, DT, S.16405, Annual address by Juan N. Greene to NFA conference, 11 May 1960.
10. NA, DT, S.17543A/63, Speech by S.A. Sherry to livestock division of NFA, 23 Dec. 1963.
11. Feely is quoted in the *Irish Press*, 11 Mar. 1962.
12. Interview with the late J.C. Nagle, 1 Sept. 1994. Mr. Nagle entered the Department of Finance in 1933. He transferred to the Department of Agriculture in 1939 and after successive promotions was appointed secretary in July 1959. He was involved in most of the negotiations with the NFA at the highest level throughout this period. He died in April 1996.
13. NA, DT, S.17543A, Smith to Lemass, 20 Nov. 1963.
14. Maurice Manning, 'The Farmers', p.54
15. NA, DT, S.16405, Speech by Sean Healy to annual conference of the NFA, 11 May 1960.
16. NA, DT, S.16405, Speech by Greene to NFA members in Kildare, undated [c. Feb. 1958.?)

17. NA, DT, S.16405, Greene to de Valera, 1 Mar. 1958.
18. NA, DT, S.16405, Speech by Dr. James Ryan to Fianna Fail Cumann in Wexford, 28 Feb. 1958.
19. *The Irish Times*, 1 Mar. 1958.
20. Interview with Louis Smith, 15 Aug. 1995. Smith was a lecturer in economics in UCD and was the NFA's first professional economic advisor. He played a key role in negotiations between the NFA and the government in the period.
21. NA, DT, S.16405, Greene to Smith, 17 Sept. 1959.
22. Nagle to the author, 28 Feb. 1995.
23. NA, DT, S.16405, *NFA Quarterly Supplement*, Sept. 1959.
24. *ibid.*
25. *ibid.*
26. Nagle interview.
27. *NFA Quarterly Supplement*, as in n. 23 above.
28. NA, DT, S.16405, Smith to Greene, 25 Sept. 1959. Patrick Smith was Minister for Agriculture in the Fianna Fail government of 1957-61. He was to continue in this position until 1964 when he resigned. He objected to efforts being made to settle an eight-week long building strike as indicating a willingness to sacrifice rural to urban interests and proffered his resignation to Lemass.
29. Nagle interview.
30. Smith to Greene, as in n.28 above.
31. Nagle interview.
32. Nagle to the author, 28 Feb. 1995.
33. The *Farmers Journal* had a two page slot for NFA news in every edition. This consisted mostly of addresses and comments made by NFA officers. These speeches were routinely critical of the department of Agriculture and government policy in general towards the agricultural industry and Smith complained of the 'almost constant abuse and misrepresentation' emanating from it. A further problem for Smith and his officials was that many farmers believed that the *Farmers Journal* was an official organ for the NFA from

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which it never seemed to dissociate itself.

34. Louis Smith interview.
35. Paddy Smith to Greene, as in n. 28 above.
36. *ibid.*
37. Louis Smith interview.
38. Feely is quoted in the *Irish Press*, 11 Mar. 1958.
39. Fletcher is quoted in the *Sunday Independent*, 9 Mar. 1958.
40. Smith to Greene, as in n.28 above.
41. *ibid.*
42. Nagle interview.
43. Smith to Greene, as in n. 28 above.
44. NA, DT, S.17543A/63, Smith to Lemass, 20 Nov. 1963.
45. NA, DT, S.16719, NFA memoranda to the Department of Agriculture to defray costs of attending conferences, Various dates in 1959.
46. Louis Smith interview.
47. Whitaker interview, Nagle interview.
48. NA, DT, S.16877Y/62, NFA statement on entry to the EEC, 20 July 1960.
49. Brian Girvin, 'Economic Development and the Politics of EC Entry: Ireland 1955-63', paper presented at conference The First Attempt To Enlarge The European Community, 1961-63. European University Institute, Florence, 18 Feb. 1994.
50. D.J. Maher, The Tortuous Path: The Course of Ireland's Entry into the EEC 1948-73 (Dublin: Institute of Public Administration, 1986), p.120.
51. Nagle interview.
52. NA, DT, S.16877Y/62, Department of Agriculture memorandum, Ireland and the EEC, Aug. 1960.
53. Nagle interview.

54. NA, DT, S.16877G, Memorandum on Ireland's Trade Relations: Prospects for Agricultural Trade, 8 Nov. 1960.
55. *ibid.* The six and seven referred to the economic blocs which existed in Western Europe. The six consisted of Belgium, France, Italy, Luxembourg, Netherlands and West Germany. The seven consisted of Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland.
56. Juan Greene, 'The next ten years in agriculture', quoted in DF, D.306/10/61.
57. NA, DT, S.16877G, Meeting between the Taoiseach, the Minister for Agriculture and the Minister for Industry and Commerce and the NFA, 20 Dec. 1960.
58. *ibid.*
59. NA, DT, S.16877G, Membership of (or association with) with EEC. Comments by Industry and Commerce, 19 Dec. 1960.
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Dear Taoiseach,

I have been thinking long and serious since our meeting yesterday on what my future course of action should be and it appears as if there is nothing left for me to do but let you have, as I do now, my resignation as a member of the Government.

It is not necessary to go into any great detail on my reasons for taking this action since these have been repeatedly stated and discussed at one time or another at Government level. We all, I know, at one time or another made some effort to resist tyranny in all its forms, but when we are faced, as we are now, with not only a tyranny but a dishonest, incompetent one, matters become much more serious, for the country. I say dishonest because of the utter disregard by the unions and their alleged leaders of the National Wage Agreement, entered into freely and generously, a few months ago, supposed to last for a period of two and a half years; incompetent because of the complete indiscipline of their union members and their own utter lack of leadership. Making agreements with such is a fraud. If proposals for such are recommended by the leaders, it is always a certainty that they will be rejected. If they are approved they are too weak to try to enforce them. Those so-called leaders of the trade union movement whom our Minister for Industry and Commerce have (sic) been chasing around for years now could not lead their grandmothers, if alive, as members of their unions.

They can be quite glib on the rising cost of living, profits and price control, and at the same time with their tongue in their cheek and being really led from the rear, make demands that they know when conceded can have only one result - rising costs and so on. This is not legitimate trade unionism - it is tyranny and I refuse to prepare myself to live with it and accept it. Our people can be led to fight this plague even if we have to suffer. When reason and decency is abandoned there are only two courses - fight or surrender. I believe that a stand like this will be in the interest of all in the end and I feel sure thousands of others are with me in this - even real trade union leaders should.

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There weren't too many clamouring for a forty hour week in 1957 when we came into office. Workers could think of that with advantage to themselves. I am very sorry that I should feel obliged to take this course after all these years but you may rest assured I have not done lightly but as the only course available having proper regard to the views I hold.

Yours Sincerely,

P.J. Smith, Minister for Agriculture.

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- a) original material
 - (i) government records
 - (ii) trade union archives
 - (iii) private papers
 - (iv) parliamentary party archives
 - (v) official publications
 - (vi) newspapers and periodicals

- b) list of persons interviewed

- c) secondary sources

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D files

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Irish Jurist

Irish Monthly

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Limerick Leader

Round Table

Sunday Independent

The Cork Examiner

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The Guardian

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The Irish Times

The Standard

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interviews

Sir Christopher Audland, 18 Feb. 1994. Sir Christopher was a member of the UK delegation involved in negotiations for British membership of the European Economic Community, Brussels, 1961-63.

Dr. T.K. Whitaker, 18 Feb. 1994 and 16 May 1994. Mr. Whitaker was secretary of the Department of Finance from 1956 to 1969. He had served in Finance since 1938.

Mr. Aodogan O'Rahilly, 14 May 1994. Mr O'Rahilly was an industrialist during this period. He was chairman of Bord na Mona from 1959 to 1974. He was awarded an honorary doctorate by the National University of Ireland in 1974 for his contribution to the development of Bord na Mona.

The late Mr. J.C. Nagle, 1 Sept. 1994. Mr. Nagle was secretary of the Department of Agriculture from 1959 to 1971. He had served in Agriculture since 1939. He died on April 17 1996.

Dr. Tom Barrington, 8 Mar. 1995. Dr. Barrington was appointed the first director of the Institute of Public Administration in 1957, a position he held until 1977.

Professor Patrick Lynch, 4 Apr. 1995. Professor Lynch served in the Department of Finance and the Department of the Taoiseach between 1941 and 1952. He joined the Department of Economics in UCD in 1952 and was appointed Professor of Political Economy in 1966.

Mr. Charles Murray, 19 July 1995. Mr. Murray was secretary of the Department of Finance between 1969 and 1976. He spent his early civil service career in the Department of the Taoiseach and was transferred to Finance in 1958.

Dr. Al Kelly, 4 Aug. 1995. Dr. Kelly was a senior member of the ESB in this period.

Mr. Joseph McCullough, 8 Aug. 1995. Mr. McCullough was an engineer and general manager of a number of manufacturing industries throughout this period.

Professor Louis Smith, 15 Aug. 1995. Professor Smith was a lecturer in agricultural economics in UCD and chief advisor to the NFA in this period.

Mr. Domhnall McCullough, 17 Aug. 1995. Mr. McCullough worked in Clondalkin paper mills and in the clothing trade during this period.

Mr. Colm Barnes, 30 Aug. 1995. Mr. Barnes was a businessman in the textile industry in this period. He was President of the FII between 1961 and 1967.

Former senior official of the Department of Industry and Commerce, 28 Sept. 1995.

Mr. Donal Nevin, 19 Oct. 1995. Mr. Nevin was research officer of the ITUC between 1949 and 1959. He was appointed research officer of ICTU in 1959. He became General Secretary of ICTU in 1982.

Mr. Sean Cromien 31 Oct. 1995. Mr. Cromien was secretary of the Department of Finance between 1987 and 1994. He had served in Finance since 1952.

Mr. Dermot Nally, 10 Nov. 1995. Mr. Nally entered the civil service in 1948 at the Office for Public Works. He served in the Department of Local Government between 1952 and 1973. He was appointed secretary to the Government in 1980.

Mr. Tadhg O'Cearbhaill, 23 Nov. 1995. Mr O'Cearbhaill served as private secretary to three Ministers of Industry and Commerce, Sean Lemass, Daniel Morrissey and William Norton. He later became the first secretary of the Department of Labour in 1967.

Archbishop Joseph Cassidy, 7 Apr. 1996. Archbishop Cassidy was ordained in 1959. He was appointed Bishop of Clonfert in 1979 and Archbishop of Tuam in 1987. He retired in 1995 due to ill health and is now parish priest in Moore, County Roscommon.

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