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Abstract

T. K. Whitaker and Seán Lemass are generally credited with effecting the policy shift from protectionism to outward orientation. Ireland's low corporation tax regime, however, has its origins in the export profits tax relief (EPTR) measures introduced by the second inter-party government in 1956. EPTR was introduced at the urging of the Department of Industry and Commerce in the face of long-standing opposition from Revenue and the Department of Finance. Industry and Commerce at the same time successfully thwarted the desires of the Taoiseach, the Department of Finance and other state agencies to have restrictions on foreign ownership of industry repealed. These apparently contradictory positions were rooted in the historical legacy of protectionism. The inter-party Taoiseach, John A. Costello, downplayed the connection between EPTR and foreign investment in an apparent attempt to deprive Fianna Fáil of an opportunity for controversy. Its introduction hastened the end of Fianna Fáil prevarication on the issue of foreign ownership.

The importance of the intense electoral competition of the period is also frequently ignored in accounts of the policy shift. Following sixteen years of unbroken Fianna Fáil rule, the next four general elections brought four changes of government. Along with the depth of the 1950s recession, this forced Fianna Fáil into a comprehensive reexamination of its industrial strategy. The economic thinking of the major political parties co-evolved, and many of the institutional innovations of the period were the result of inter-party government initiatives.

The defeat inflicted on Finance by the Department of Industry and Commerce partly motivated Finance's work on *Economic Development*, the 1958 publication of which provided political cover for Fianna Fáil's U-turn on overall economic strategy.

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Introduction

The 1958 publication of the Department of Finance document *Economic Development* and the new Fianna Fáil government's *First Programme for Economic Expansion* is generally heralded as marking the policy shift from protectionism to outward orientation. Conventional wisdom therefore credits T. K. Whitaker and Seán Lemass, as the key architects of these documents, with effecting the policy shift.

The underlying story is more complicated. The dismantling of Ireland's protectionist tariff barriers began only in 1963, five years after the supposed turning point, while tax relief for export expansion was introduced by Taoiseach John A. Costello, leader of the 2nd inter-party government, in 1956, two years before the supposed turning point. This tax relief, furthermore, represents the genesis of Ireland's low corporation tax regime which Padraic White, long-serving Managing Director of the IDA, refers to as "the unique and essential foundation stone of Ireland's foreign investment boom".[1]

A recent paper by the present author addresses the question of why tariff barriers began to be dismantled only in 1963, though Whitaker had been forcefully arguing the case for trade liberalisation for many years.[2] It was only then, the paper argues, that it became clear that this was the price to be paid if dominant agricultural interests were to achieve their aim of full rather than associate membership of the European Economic Community. Full membership was required if access was to be had to the vast subsidy programmes of the emerging Common Agricultural Policy.

The present paper focuses on the bureaucratic and political battles associated with the earlier measures – variously termed export profits tax relief (EPTR) or export sales relief – to reorient production towards export markets. There has been as yet no in-depth study of the controversies and battles surrounding its introduction, though the economic histories of the period obviously record its enactment.[3]

Proposals for some form of such relief had been circulating since the end of the Second World War. These had been strongly resisted by the Department of Finance and the Revenue Commissioners. Taoiseach John A. Costello's embrace of the proposals represented a significant defeat for Finance at the hands of the Department of Industry and Commerce. There were political complications too. Foreign direct investment (FDI) had aroused suspicion in the early decades of independence. Tariffs imposed under the early Cumann na nGaedheal governments had triggered tariff-jumping FDI and Fianna Fáil introduced the Control of Manufactures Acts upon acceding to power to try to ensure that the new industries created by the expansion of

[1] Ray MacSharry and Padraic White, *The Making Of The Celtic Tiger: The Inside Story Of Ireland's Booming Economy*, (Cork, 2000), p. 250.

[2] Frank Barry, "Agricultural Interests and Irish Trade Policy Over The Last Half-Century: A Tale Told Without Recourse To Heroes", Working Papers in British-Irish Studies No. 91, 2009, University College Dublin. T. K. Whitaker, 'Capital Formation, Saving and Economic Progress', *Journal of the Statistical and Social Inquiry Society of Ireland*, Vol. XVIX, 1955/1956, pp. 184-209. See also the civil service debates of 1959-60 published as T.K. Whitaker, *Protection or Free Trade: The Final Battle*, (Dublin, 2006).

[3] See e.g. Kieran Kennedy, Thomas Giblin and Deirdre McHugh, *The Economic Development of Ireland in the Twentieth Century*, (London, 1988), p. 63; Liam Kennedy, *The Modern Industrialisation of Ireland 1940-1988*, (Dundalk, 1989), p. 15; Cormac Ó Gráda, *A Rocky Road: The Irish Economy since the 1920s*, (Manchester, 1997), p. 50.

protection would remain under Irish control. Though the acts were never strictly policed, Fianna Fáil remained ambivalent on the issue of foreign ownership into the 1950s. Costello, in introducing EPTR, downplayed the connection with foreign investment in an apparent attempt to deprive Fianna Fáil of an opportunity for controversy. The Department of Industry and Commerce retained a sense of duty to domestic industrialists who had established their concerns on the understanding that they would be shielded from direct foreign competition and successfully thwarted the desires of the Taoiseach, the Department of Finance and other state agencies to have the Control of Manufactures Acts repealed.

Lee contends that Whitaker's work on *Economic Development* was motivated at least in part by a desire to reestablish the supremacy of the Department of Finance in economic policymaking.[4] Though its publication in 1958 seems to have helped to lift the prevailing mood of despondency, of arguably greater significance was the political cover it provided to Fianna Fáil in implementing its U-turn on overall economic strategy.

2. FDI under Cumann na nGaedheal

The first Irish tariffs introduced in 1923 duplicated those of Britain, the principal exponent of free trade. Over the following three years a further eleven categories of goods were added to the original fifteen to which duties applied and by 1931 a total of fifty-nine categories were subject to protective duties.[5]

Girvin notes that the expansion of employment in protected sectors was accompanied by tariff-jumping FDI, as foreign firms entered to exploit the enhanced profit opportunities that protectionism afforded.[6] This was particularly the case in sectors such as tobacco, soap and confectionary which, as Daly notes, were dominated by a small number of large firms which battled for market share with heavy advertising expenditure and the creation of strong brand images.[7] This had apparently not been anticipated by the government, and the Department of Industry and Commerce shared some of the concerns expressed by Fianna Fáil at these developments. A thirty page analysis prepared by the Department in October 1928 noted how, by the sale of domestic firms in protected sectors, "the owners turned into cash for their own pocket the concession which they, in common with other firms in the industry, were given by the state on national grounds".[8] To prevent such abuses, departmental officials recommended that the minister should be empowered to prohibit such transfers or to approve them only after the increased value had been surrendered to the state.

The report's author, T.J. Barrington, doubted "that the economic penetration which has followed on the wake of protection here has yet attained the dimension of a national evil". He was fearful however that foreign staff might retain the key positions within foreign-owned firms and that further tariff-driven industrial

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[4] Joseph Lee, *Ireland, 1912-1985: Politics and Society*, (Cambridge, 1989), p. 343.
[5] D.J. Maher, *The Tortuous Path: the Course of Ireland's Entry into the EEC, 1948-73*, (Dublin, 1986), p. 7.
[6] Brian Girvin, *Between Two Worlds: Politics and Economy in Independent Ireland*, (Dublin, 1989), p. 65.
[7] Mary E. Daly, "An Irish Ireland for Business?: The Control of Manufactures Acts, 1932 and 1934", *Irish Historical Studies* (1984), p. 248.
[8] Girvin, *Between Two Worlds*, p. 67.

expansion might see "effective control in the new industrial enterprises… pass to outside concerns".[9]

Ó Gráda has argued that the differences between the economic policies of Cumann na nGaedheal and Fianna Fáil were not as great as is generally supposed.[10] Given the globally more protectionist Depression-era environment, restrictions on foreign ownership might well have been introduced even had Cumann na nGaedheal retained power in 1932.[11]

3. Fianna Fáil and the Control of Manufactures Acts: Theory and Practice

Seán Lemass, who became Minister for Industry and Commerce on Fianna Fáil's accession to power in 1932, had stated in 1927 that "unless we can ensure that the benefits derived from the imposition of protection are reserved for the Irish manufacturers as well as the consumers it is a dangerous policy to embark on protection".[12] Given Fianna Fáil's commitment to protection, it is no surprise that legislation to control foreign ownership was among the first matters to be addressed by the Department of Industry and Commerce under the new dispensation.

The Control of Manufactures Acts of 1932 and 1934 were designed to ensure that new industries established under protectionism would be Irish controlled. The 1934 act closed off the main loophole of the earlier legislation which had allowed foreign firms to issue preference shares carrying fixed interest rates and no voting rights. The later act required that more than 50 per cent of all share capital, at least two-thirds of voting rights and a majority of directorships be held by Irish citizens. A new manufactures licence granted under the Acts could be subject to various restrictions such as maximum allowances for non-domestic content, largely at the discretion of the Minister.

The Dáil resisted some of Lemass' more interventionist tendencies. Early proposals were criticised as vesting too much authority in ministerial hands, and suggestions that control might also apply to domestic undertakings and to foreign businesses established before the acts were rejected.

Among the arguments advanced against foreign ownership were (i) that subsidiaries were unlikely to develop an export trade; (ii) that higher executive positions in these companies were less likely to be filled by local staff; (iii) that branch plants would disappear rapidly in a downturn; (iv) that they might come to exercise monopoly positions in the market; (v) that they would, in Lemass' words, "render it difficult to adopt measures designed to protect national interests when those interests are in

[9] Ibid., p. 68.
[10] Cormac Ó Gráda, *Ireland: A New Economic History 1780-1939*, (Oxford, 1994), pp. 387-88.
[11] In the debate on the Control of Manufactures Bill, McGilligan, who had been Minister for Industry and Commerce in the previous government, was particularly critical of the Fianna Fáil proposals because of the discretionary powers they allocated to the Minister. Other available options, he suggested, included an "admission" fee, payment of extra corporation tax, or an extra impost by way of income tax (Dáil Éireann, Volume 42, 14 June, 1932, Control of Manufactures Bill, Second Stage).
[12] Daly, "Irish Ireland", p. 252.

conflict with their own"; and (vi) contradictorily, that they would impose "appalling conditions" or else pay wages that native firms could not afford.[13]

The acts were never strictly policed however.[14] The onus was on the government to prove non-compliance rather than on companies to produce lists of shareholders and directors, and no prosecutions were ever pursued under this legislation. Many foreign firms managed to set up in Ireland without recourse to a new manufactures licence by adopting a shareholding structure which complied with legislative requirements but with merely nominal capital size. In some cases Irish citizens were nominated by foreign concerns to act in their interests. In others, the trade mark of a foreign brand was taken on by an Irish manufacturer subject to the payment of royalties. Foreign participation was occasionally rewarded via non-voting shares. So straightforward and preferable was the avoidance of the restrictions of the CMA that some firms altered their capital structure to allow for the cancellation of their licences. A majority of foreign companies operated such schemes, which were frequently devised by Irish solicitors, most notably Arthur Cox.

As early as 1933, the Federation of Irish Industries was lamenting that the "Control of Manufactures Act is merely a scrap of paper".[15] The official tolerance of evasion was indicative of a recognition of the value to the Irish economy of the employment generated and of the access to foreign capital and skills that it allowed.[16] With the passage of time, Government came to prefer schemes that did not require licences – and frequently advised foreign applicants of this – as applications for licences could stir up controversy from indigenous businesses.[17]

A recent study has attempted to establish the extent of foreign control of Irish industry in the late protectionist era.[18] The results support Daly's assertion that there was some foreign participation in all sizeable Irish firms at this time.[19] The study is based on the list of firms surveyed by the Committee on Industrial Organisation. This committee, which was established in 1961, surveyed 26 multifirm industries that accounted for almost 60 percent of manufacturing employment. The study divided the firms surveyed into three groups. The first were wholly Irish owned. The second were "new foreign firms" established in the 1950s either with IDA assistance or in response to the introduction of export profits tax relief. The third comprised the residual class of protectionist-era firms with substantial external associations. These were firms who received or had at one stage applied for a licence under the Control of Manufactures Acts or whose external associations could be identified through internal IDA records or through the Irish Times online archive. The study found that protectionist-era foreign industry accounted for around one-third of employment in

[13] Sources: (i), (ii) and (vi): Daly, 'Irish Ireland', pp. 246, 248, 252; (iii), (iv) and (v); Paul Bew and Henry Patterson, *Seán Lemass and the Making of Modern Ireland 1945–66,* (Dublin, 1982), pp. 3, 123, 124.
[14] This paragraph is based on Daly, 'Irish Ireland'.
[15] National Archives of Ireland (NAI), Ind&Comm/ TID/1207/199
[16] J. Peter Neary and Cormac Ó Gráda, "Protection, economic war and structural change: The 1930s in Ireland", *Irish Historical Studies*, 27**,** (1991), pp. 250–266.
[17] Daly, 'Irish Ireland', p. 267
[18] Frank Barry, Linda Barry and Aisling Menton, "Foreign Ownership and External Associations of Irish Business Under Protectionism", paper delivered to the 2010 annual conference of the Irish Economic Association.
[19] Daly, 'Irish Ireland', p. 266.

the sectors studied (with "new foreign firms" excluded). Furthermore, and in line with economic theory, advertising-intensive and R&D-intensive sectors were foreign-dominated.[20]

While the acts were clearly not strictly enforced therefore, the fact that they remained on the statute books – and that the Department of Industry and Commerce would fight so strenuously against their repeal – indicates that they played a role in ensuring that foreign industry did not encroach unduly onto territory carved out by domestic firms.

4. Export Profits Tax Relief: Industry & Commerce versus Finance

The proposal for export profits tax relief first surfaced in a 1945 Foreign Trade (Development) Bill prepared by Industry and Commerce. The proposal was that exporters to countries other than Great Britain could apply to the Minister for exemption from corporation profits tax and local authority rates on premises used for the production of goods for the export trade, subject to certain conditions on quality, grading and presentation.

The Department of Finance response described the proposals as "objectionable in principle". While accepting the view that financial assistance from public funds might be necessary to stimulate exports, "this assistance should take the form either of a direct subsidy which can be effectively measured or of loans and grants analogous to those in operation in Northern Ireland". Industry and Commerce, in its second submission of the bill, noted that the Minister had reconsidered and would not press ahead with the proposal.[21]

In September 1949 the recently-appointed Industrial Development Authority submitted an interim report to the Minister for Industry and Commerce who furnished it to government.[22] The IDA noted that they had been in discussions with various parties including Irish-American businessmen, a US agency with connections to leading American industrialists, officials of the OEEC and a Czechoslovak resident of Ireland who had knowledge of the successful export organisation that had been established in that country prior to the war. It surmised that financial inducements were needed "to attract products to the export pool". These could take the form of "tax remission on profits of export trade, a bonus on currencies arising from exports, or a guarantee against the risk of defaulting debtors." IDA representations to the inter-departmental Foreign Trade Committee in November 1949 met with a hostile response from Finance however, which pointed out that the Committee "could only speak on matters covered by its departmental members (and) could not deal with questions of taxation if representatives of the Revenue Commissioners were not present."[23]

The UK authorities limited the convertibility of sterling in August 1947 and informed Dublin that while they hoped to continue to provide conversion facilities for essential requirements, Irish requests would have to be "as low as possible".[24] The dollar

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[20] See e.g. James Markusen, "Multinational Firms, Location and Trade", *The World Economy*, 21 (6) 1998, pp. 733-756.
[21] NAI, Taois/S13765A
[22] NAI, Taois/S11752A
[23] Ibid.
[24] Bernadette Whelan, *Ireland and the Marshall Plan, 1947-57*, (Dublin, 2000), p. 83.

shortage was exacerbated by the devaluation of sterling in September 1949 and the imminent termination of Marshall Aid flows, and the first inter-party government responded in 1950 by establishing the Dollar Exports Advisory Committee.[25]

The second report of the committee, which was furnished to the Department of Finance in August, recommended the granting of a tax concession on all profits earned by exports or re-exports which earned dollars for the country. Finance passed the report to the Revenue Commissioners for their views. The response of 16 September notes the similarity between this proposal and the earlier Foreign Trade (Development) Bill and states that "the objections put forward on the previous occasion still hold good". Revenue argued that it would violate the basic principles of income taxation and would represent a subsidy whose costs would be hidden. It would open the door to other demands for special treatment and "the relief would be more or less in the nature of a gift" for existing exporting concerns. It pointed out, furthermore, that it might run the risk of a countervailing US duty and that a similar proposal had been rejected recently by the UK.[26]

Lemass, who was back in position as Minister for Industry and Commerce in 1952, noted that EPTR "is under consideration but, while it has, as you might expect, my sympathetic interest, it offers very substantial difficulties from the viewpoint of the Minister for Finance."[27] Other bodies continued to press for special treatment of exports however. The majority report of the Commission for Emigration published in 1954 advised, in paragraph 396, that "efforts to develop the export trade in the future may make it desirable to rely to a greater extent on (forms such as) direct state assistance".[28] A Committee of Inquiry into Taxation on Industry had been established in 1953 and a submission from the Irish Exporters' Association proposed that "a relief be granted to exporters against the total assessable income tax and CPT or surcharge.., such relief to be calculated on a sliding scale based on the ratio of export sales to domestic sales in their turnover".[29] The Committee reported in April 1956. While agreeing that it was necessary to encourage industrial exports, it supported the Revenue position, which it recorded in Paragraph 171, doubting that "income taxation provided the most suitable channel for concessions of this nature".[30]

In a major policy speech delivered to an Inter-Party meeting on 5 October 1956 however, Taoiseach John A. Costello overruled the long-standing Revenue and Finance position and announced that EPTR would be introduced.[31] McCarthy reports that Costello relied only on his personal advisors, son-in-law Alexis Fitzgerald and Paddy Lynch, in preparing the speech and did not discuss it with other members of the

[25] Ibid., pp. 224, 400.
[26] NAI, Fin/F49/1/51
[27] Quoted by Girvin, 'Between Two Worlds', p. 174.
[28] Cited in "Remission of Taxation on Profits Derived from Export Trade", a document prepared by the Department of the Taoiseach in September 1956 that summarises the debates on EPTR since 1945; NAI, Taois/S/14818C
[29] Ibid.
[30] Ibid.
[31] Though Lemass had withdrawn his own proposals for EPTR in the face of opposition from the Department of Finance, he had nevertheless criticised Sweetman, the inter-party Minister for Finance, for rejecting the proposals of the Irish Exporters' Association (Dáil Éireann - Volume 157 - 05 June, 1956; Finance Bill, 1956—Second Stage).

government prior to delivery.[32] A background document on the policy suggestions contained in Costello's private papers notes that:

> "Once you reject the principle of the Revenue Commissioners that no distinction should be made in the value of any income from the national point of view I think the Government has great scope for differential taxes calculated to encourage the earning of particular kinds of incomes and discourage the earning of other kinds. It is obvious that the man whose energy is employed in getting foreign markets for our goods is in fact doing a service to the economy and should not be taxed at the same rate as the man who employs his energies in persuading Irish people to buy a greater quantity of imports from abroad."[33]

The October speech states that "the expansion of exports generally is so necessary not merely to raise the levels of home employment and income, but also to lessen the immediate difficulties of our balance of payments that the Government has decided to stimulate such expansion by a special tax incentive. This incentive will operate for a period of 5 years… It will take the form of a remission of 50% income tax on profits of a manufacturing industry derived from increased exports over a datum year and used for the expansion of the industry ."[34] The speech also announced that the existing industrial grants scheme was to be extended beyond the 'undeveloped areas' in the west of Ireland to the entire country.

The relief *for increased exports only* disappointed the Irish Exporters' Association, though it met the objections raised by Finance and Revenue over windfall gains for existing exporters. The provisions, minus the restriction on the use of profits, were enacted in the Finance (Miscellaneous Provisions) Act of December 1956.[35]

Minister for External Affairs Liam Cosgrave and T.K. Whitaker at Finance worried that EPTR would be in breach of commitments entered into with the OEEC.[36] The OEEC had concentrated its initial trade liberalisation efforts on the removal of quantitative import restrictions and had achieved substantial success in this regard. A system of liberalisation percentages was adopted, with 1948 selected as the datum year. By the end of 1955, 86 per cent liberalisation had been achieved, with five member countries including Ireland having reached or exceeded the 90 percent target. As Maher notes however, "the suppression of quantitative import restrictions is much

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[32] John McCarthy, ed., *Planning Ireland's Future: the Legacy of T.K. Whitaker*, (Dublin, 1990), p. 29. (McCarthy has confirmed to the present author that this information was provided to him by Costello in an interview). The background document discussed below makes it clear that his advisors were aware of the official correspondence on the issue.

[33] Costello papers, UCD, P190/713(8). This document also suggests that EPTR might be extended to the insurance industry. ("In the case of a British company, the earnings in Britain would become, if the business were conducted from Dublin, foreign earnings"). This concession was also advocated unanimously by the Consultative Committee of CTT (Córas Tráchtála), meeting on 25 October 1956, but was not ultimately granted; NAI, Ind&Comm/E/22/3/74.

[34] Costello papers, UCD, P190/781. Profits at the time were subject to a corporate profits tax of 10% and income tax of 37.5%; NAI Ind&Comm/E/22/3/74.

[35] NAI, Taois/S/14818A,B,C

[36] Costello papers, UCD, P190/760/5, and NAI, Fin/F200-13-56. Whitaker had been promoted to the position of Secretary of the Department of Finance earlier that year on the recommendation of Sweetman, in a departure from standard procedures that would have seen the position go to the next in line (Lee, *Ireland 1912-85*, p. 342).

easier for a high-tariff country than for a low-tariff country".[37] Liberalisation of tariff barriers would prove much more difficult.[38]

The commitment that concerned Cosgrave and Whitaker was the agreement reached in January 1955 that member countries would by the end of the year discontinue artificial aids to exporters in the form of measures including the remission of direct taxes, though special opt-outs were granted to France, Greece and Turkey.[39] The minutes of a meeting of the Foreign Trade Committee in March 1955 note that the Government had decided to adhere to the OEEC decision but made it clear that the Government interpreted the expression "reasons of national importance" – which allowed the agreement to be waived – to include reasons of economic stability. This was conveyed to the OEEC in March 1955.[40]

Nothing has been unearthed in the archives to indicate that the OEEC was asked to sanction the introduction of EPTR. The government explored what wiggle room was available however. A 1956 document from the Department of the Taoiseach noted that the OEEC undertaking "has not prevented us from introducing an export price guarantee scheme for Grade A bacon which may involve the Government in payment of 50% of any expenditure falling due under the guarantee. Furthermore, it should be noted that the prohibitions do not apply to France who operates an extensive scheme of aids to exporters."[41] Córas Tráchtála also pointed out that other countries such as Germany and Holland remained in breach of the rules.[42]

In the event, the OEEC reacted with approval to the signal of a shift towards outward-orientation.[43] The deputy-secretary general of the organisation stated in December 1956 that though Ireland could not fundamentally be considered an underdeveloped country he accepted that significant industrialisation was required and that this might warrant special treatment.[44] The 1957 OEEC report on Ireland records, without critical comment, the export tax measures adopted. It points out that "it is extremely important to avoid stimulating new industrial development by measures which, like tariff increases – and to some extent the import levies – tend to a more permanent system of protection against outside competition.. The main criterion for encouraging

[37] Maher, *Tortuous Path*, p. 27.
[38] Ibid., p. 52.
[39] NAI, Taois/S14638N.
[40] NAI, Taois/S14638O. Lemass criticised the government decision to agree to the OEEC restrictions: "I would have thought that the best way of securing interest amongst our industrial producers in export possibilities was by a rearrangement of the system of taxes on industrial profits" (Dáil Éireann - Volume 151 - 02 June, 1955; Finance Bill, 1955—Second Stage).
[41] NAI, Taois/S/14818A,B,C
[42] NAI, Ind&Comm/TIC/29505.
[43] By 1958 concerns were being raised at the OEEC, particularly by the Dutch representative, about Irish incentives to attract foreign capital, while the Danish representative "hoped that Irish measures to stimulate exports were in conformity with OEEC principles" (NAI, DT/S/16446). Even the OEEC report of that year is largely favourable however. It notes that "some branches – notably certain textile industries and vehicles – have recently been able to increase their exports, and further encouragement in this direction may be hoped for as a result of the new fiscal incentives for exports and industrial investment." It again simply records the new tax measures adopted, including the proposals in the Customs Free Airport (Amendment) Act to "provide for the complete exemption from taxation for a 25 year period of profits derived from new bona fide export businesses using air freight and established within the confines of the Free Airport Area." (NAI, Taois/S/16446).
[44] NAI, Taois/S/16194.

the establishment and development of industries should (be) their capacity to make use of available domestic resources to the best advantage and, in most cases, to contribute towards external earnings.[45]

Finance remained hostile to the measures to the last. Whitaker wrote to his Minister, Gerard Sweetman, in September 1956 that EPTR would further postpone the day "when we can bring farming profits within the income tax net" and argues that "it is production which should be aided rather than exports".[46] Sweetman adhered strongly to the position of his departmental officials and expressed disappointment at Costello's endorsement of EPTR. Barry and Garvin are therefore in error in ascribing EPTR to Sweetman.[47] Following the speech, he wrote to a cabinet colleague that it had left him "with a sense of disappointment":

> "The Taoiseach's speech, with its great variety of new bodies, with its promises of large grants, striking reliefs from taxation and further assistance … foreshadows further expansion of the already inflated administrative machinery of the state and new large outlays from public funds and losses of revenue through widespread tax concessions.. The Taoiseach's speech will moreover be read by departments as giving them the green light to go ahead with expansionist programmes and will seriously embarrass the Minister for Finance in his efforts at retrenchment."[48]

The following month, Sweetman writes to Whitaker informing him that the export tax initiative falls within the scope of the Department and that "legislation must be prepared by the Revenue Commissioners forthwith". Whitaker complains in December that the entire bill has been rushed and responds tetchily to J.C.B. MacCarthy, Secretary of Industry and Commerce, on the matter.

> "I will make only two points on your letter: (i) Even though you got the CTT report only on 12 November, it would have made a considerable difference if it were sent to us then, rather than nine days later… (ii) I might add that we did not and indeed could not have sent to Revenue on 21 November a communication which reached us only on the 22nd. *I do not know why you assume that we have invented a new time machine*" (italics added).[49]

Though McCarthy suggests that the tax innovation represented by EPTR was "cited with favour in the Grey Book, as *Economic Development* came to be called", the relevant section – Appendix 2, Section 7 – in fact merely records the measures then in place.[50]

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[45] NAI, Taois/S/16222/C.
[46] NAI, Fin F200/10/56. This, interestingly, was the position on corporation tax ultimately arrived at by agreement with the European Commission in 1998.
[47] Frank Barry, "Theoretical and Pragmatic Elements in the Civil Service Debates on Trade Liberalisation", in Michael Mulreany (ed.) *Economic Development 50 Years On: 1958-2008,* (Dublin, 2009) p. 111; Tom Garvin, *Judging Lemass: The Measure of the Man*, (Dublin, 2009) p. xiii.
[48] NAI, Fin/F200-13-56.
[49] NAI, Fin/F200/10/56
[50] McCarthy, 'Whitaker', p. 23.

5. EPTR, the Control of Manufacturers Acts and the Debate on Foreign Capital

Industry and Commerce recognised from quite an early stage that EPTR might prove attractive to foreign investors. In its rejoinder to Finance's rejection of the Dollar Exports Advisory Committee's 1950 recommendations, the Department noted that "it is possible that the granting of the concession may induce foreign enterprise to establish in this country industries capable of exporting goods to the dollar area".[51]

Awareness of the growing importance of US investments in Europe was also stimulated by documentation submitted to government by the Department of External Affairs in July 1955. This concerned a proposal, agreed to over the following months, that Ireland should participate in the US investment guarantee programme, the purpose of which was to provide insurance against currency inconvertibility or expropriation for new American investments abroad.[52]

The department reported that, according to the US Bureau of Economic Analysis, the stock of US FDI in Europe stood at around $1,720 million in 1950, of which Ireland attracted only around $5 million. "While the need for increased investment in our economy is recognised, particularly in the industrial field, it appears that Ireland has not so far participated to the same extent as other Western European countries in the increased flow of American capital". Furthermore, the Embassy in Washington thought it likely that the US government would extend to American firms investing in Europe the 14 percent reduction in taxes then available for US investments in South America. "The effect of such an extension should be apparent in an increased flow of American capital".[53]

A 1956 report from the IDA on their recent visit to the US records that:

> "Many industrial firms enquired whether any tax concessions were available for new industrial undertakings; it was frequently pointed out to us that other countries – Puerto Rico was the most frequently quoted – gave tax concessions of different types… In March 1955 the Minister for Industry and Commerce requested Finance to being to the notice of the Industrial Taxation Commission tax concessions granted by many European countries for the purpose of stimulating new investment, either by foreigners or by their own nationals. Accompanying the minute was a summary of measures taken by way of tax concessions by Austria, Belgium, Luxembourg, Britain, Denmark, Germany, Portugal, The Netherlands… If further industrial development is to make a substantial contribution to our employment problem, some bolder measures of tax concession must be introduced, so as to enable this country to compete with other countries which are also trying to attract foreign industrialists."[54]

In the political realm however, Fianna Fáil had yet to develop a coherent policy on foreign investment. The other main parties were unambiguously in favour, and Fine

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[51] NAI, Fin/F49/1/51; Point 11 of the summary and paragraph 14 of the full memo.
[52] On the question of exchange controls, the document pointed out that all capital, dividends and profits could be repatriated in dollars to the US at any time.
[53] NAI, Taois/S15231B
[54] NAI, Fin/F200/10/56

Gael – and Costello in particular – felt that the Control of Manufactures Acts hindered possibilities in this regard. As early as 1948 he had described the Acts as "outmoded and outdated" and "humbug", though an American diplomat reported at the time that repeal would be difficult because of strident opposition from Lemass and the Federation of Irish Manufacturers.[55]

In the Fine Gael 1953 document *Blueprint for Prosperity*, Costello argued that "the sole consequence of the present Statutes is that the best type of foreign enterprise is kept out while any slick merchant who wishes to do so can adopt any one of 100 legal devices of overcoming the statutes. We should make the economy attractive ground for the employment of capital no matter who subscribes it".[56]

Bew and Patterson note that it was William Norton – leader of the Labour party and Inter-Party Minister for Industry and Commerce – rather than Lemass who made the first sustained attempt to bring overseas investment to Ireland.[57] "Since 1948", they write, "Lemass had been prepared to ruminate rather indecisively in public on the possible role of foreign capital in the Irish economy."[58] In a speech delivered at a luncheon held by Messrs. Lincoln and Nolan, Ltd., assemblers of Austin and Rover cars, on 31st April, 1953, Lemass said that

> "At one time it was thought necessary to impose restrictions on foreign investment here. The necessity appeared to arise from the dangers that the development of a protectionist policy would lead to the establishment here of branch factories which would be owned abroad and limited in their expansion to the scope of the tariff which produced them and designed to disappear if and when that tariff was removed. They had long since passed out of that stage of development and they could now contemplate external investment in Irish industry when that investment gave new scope for expansion of industrial activities or brought to this country new knowledge and skill."[59]

His 1953 trip to the US had been partly aimed at attracting American investment, yet his Dáil speeches from the opposition benches in the summer of 1955 criticised the then Tánaiste's efforts towards this same end.[60] In defending Norton, Costello pointed out that complete national control of industry was "incompatible with our large-scale emigration, our substantial unemployment and our expressed determination to provide a decent livelihood for our people" and noted that the most recent OEEC report had also called for greater attention to be devoted to attracting foreign direct investment.

Costello's Dáil speeches drew attention to the lack of coherence in Fianna Fáil attitudes:

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[55] David McCullough, *The Reluctant Taoiseach: a Biography of John. A. Costello*, (Dublin, 2010), p. 181.
[56] Quoted by McCarthy, 'Whitaker', p. 24.
[57] Bew and Patterson, *Lemass*, pp. 82-85.
[58] Ibid, p. 69.
[59] NAI, Taois/2850B. A memorandum in the file, dated 6 Sept. 1954, records Norton urging Costello to proceed in the vein of what Lemass was saying; the following month, he announced to the Labour Party conference that this was the way forward.
[60] Dáil Éireann, Vol. 152, Col. 1145, July 14, 1955.

"Deputy Lemass criticised our policy this afternoon in reference to foreign capital, to our desire to get foreign capital into this country. He made rather an attack upon those powerful companies who are coming into this country and who, we hope, are going to do great good by their project for building the oil refinery… Why does not Deputy Lemass come out and say: we are all agreed on the necessity for getting foreign capital in here to supplement our own people's savings; we are all in favour of a particular type of manufacture here which will not in any way interfere with our own native industrialists; we are all in favour of foreign capitalists manufacturing here for export abroad but how will that adversely affect our industrialists?.. Why does he not say that he has now come to the conclusion that he is not averse to a modification of the Control of Manufactures Act, in order that we may all come together and be all on the one line, in order that we may present a united front to those people who may be prepared to come in here?[61]

The Statist, a British news weekly, commented on the "disquieting inference" to be drawn from a statement that Lemass made on the transfer of profits to foreign shareholders, and noted that "the inference is not likely to encourage British or American investors to take up Mr. Norton's invitation, especially in view of the fact that Mr Lemass is the most likely man to succeed Mr de Valera.."[62]

Fianna Fáil prevarication on foreign capital is also evident in a Dáil speech of Deputy Erskine Childers some months later:

"In the course of the last few months the Minister has, by his various declarations, given the people the idea that he looks forward to foreign capital investment as a major contribution to further industrial effort here. From that standpoint, I think we can only adopt a highly critical attitude…

In view of the fact that in connection with capital investments from abroad, exported interests and profits on them are of no benefit to us in our efforts to pay for imports, in view of the fact that certain types of capital investments here are likely to be of a fugitive character…, we think it is opportune for the Minister... to restate... the principles upon which his campaign is based."[63]

The question arises however as to whether Fianna Fáil was really exercised on the issue, particularly as US FDI would have engendered much less hostility than British control, or whether it was simply seeking to create difficulties for the government. Historians of the period report that they have found no evidence of conflict on the matter in the Fianna Fáil archives of the time.[64] De Valera, however, as late as 1956,

[61] Dáil Éireann - Volume 152 - 14 July, 1955; Committee on Finance. - Vote 3—Department of the Taoiseach (Resumed).
[62] Bew and Patterson, *Lemass*, p. 89.
[63] Dáil Éireann - Volume 155 - 07 March, 1956; Committee on Finance. - Vote 50—Industry and Commerce.
[64] Private communications from Brian Girvin and Gary Murphy. Though the senior Fianna Fáil figure, Kevin Boland, would write later of his shock and bewilderment 'to find that the principle of Irish ownership of industry – which was central to the Republican policy as I had always understood it – was gone' (quoted by Bew and Patterson, 'Lemass', p. 121), they suggest that this may have been part of a

was railing against the government's handing over Irish resources to foreigners 'festooned with tax reliefs'.[65]

The desire to avoid controversy presumably explains why Costello in his speech of October 1956 avoided explicitly linking EPTR and inward FDI. The section of the speech on *Tax Incentives for Exporters* makes no mention of foreign industry while the later section on *External Capital* signals retention of the CMA when it notes that foreign industries "will undertake here to manufacture goods which our own manufacturers are not yet equipped to produce".[66] This apparent attempt to deprive Fianna Fáil of an opportunity for controversy leads McCarthy to conclude that Costello's focus was on Irish businesses and that his vision differed therefore from that expressed later by Whitaker in *Economic Development*.[67] A document in Costello's private papers containing policy suggestions drawn up over the period August-September 1956 reveals however that this is not the case. It calls for "a specially favourable tax.. for all profits made out of additional industrial exports over a period.. If the rates were made especially favourable such for example as half the standard rate, it would make the export trade really attractive. *I would foresee that if it were done a great deal of trading would be attracted to Ireland. I would visualise that many English manufacturing concerns would find it worth their while to open businesses, i.e. trading companies in Ireland, and so fix their prices that their real profits or exports were made here to benefit from the favourable rate, and that we would get a lot of extra tax as a consequence*" (italics added).[68]

Here EPTR and FDI are explicitly linked, and English FDI, furthermore, which would certainly have raised Fianna Fáil hackles. The reference to EPTR's revenue-raising potential is also of significance and will be discussed further below. Costello's speech avoided the controversy that would surely have followed had this draft been delivered. This seems to have forced Lemass to change tactics. He now attacks from the opposite direction, stating in the Dáil that "the Government's objectives in putting forward this proposal are twofold. Firstly, to induce existing Irish firms to get into the export trade or to extend the scope of their activity in that regard. Secondly, to induce foreign firms to come to this country and use it as a base for export trade." He argued for even more generous concessions, in order "to get certain firms now operating abroad to establish factories in this country to supply part of their export markets."[69]

The logjam on foreign ownership appears to have been breached. In June 1956 Lemass had criticised the inter-party government for overemphasising the role that foreign capital could play.[70] Similarly, in response to Costello's October 1956 speech, he stated that "it is still true that the greater part of our future industrial growth will come from the expansion of activities by existing concerns and it is by

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strategy to carve out a niche for a new party that he had founded in 1971 in the wake of the Arms Crisis.

[65] Quoted by Bew and Patterson, *Lemass*, p. 87.

[66] Costello papers, UCD, P190/781.

[67] McCarthy, 'Whitaker', p. 29.

[68] Costello papers, UCD, P190/713(8).

[69] Dáil Éireann - Volume 160 - 28 November, 1956; Finance (Miscellaneous Provisions) Bill, 1956—Second Stage.

[70] Dáil Éireann - Volume 158 - 21 June, 1956; Committee on Finance., Vote 50—Industry and Commerce (Resumed).

helping them that the government can get speediest results, if they want results".[71] By January 1957, after the passage of EPTR, he was emphasising that export growth could not be significantly developed "without linking up with external firms with ample financial and technical resources and established connections in the world's markets".[72] Garret FitzGerald wrote in 1959 that "even if it can be argued with some reason that the level of taxation may not have such a significant effect upon domestic investment as is sometimes suggested, it is clearly of paramount importance where foreign investors are concerned".[73] This, as has been shown, had been the motivation for Costello's proposals all along.

Why, though, were the Control of Manufacturers Acts not rescinded at this same time? The State investment bank, the ICC, had called for their relaxation in January 1955.[74] A confidential letter from an official of the Department of Finance to the secretary of the Department of the Taoiseach in June 1955 states that "the Governor of the Central Bank considers that the operation of the Control of Manufacturers Acts has proved a considerable obstacle to the improvement and development of the industrial capital market, that the legislation is outmoded and unsound and should be repealed rather than amended. *We, too, would prefer to see the Acts repealed* (italics added)."[75]

The Department of the Taoiseach stated in 1954 that "Industry and Commerce give indications of a more liberal attitude towards the Acts. The trouble is, how can a liberal non-restrictive attitude, operating via New Manufacturers Licences (under the Acts), be reconciled with the restrictive provisions of the Acts. One or the other must give way".[76] It also found it disturbing that "many factories have been established on the basis of a Ministerial assurance that regard would be had to the extent to which the market was being met by the factories in question if the question of the issue of a New Manufacturers Licence arose at a later date. The Acts in question do not apparently provide for the giving of such an assurance and it would be unfortunate if any amendment of the Acts would be prevented by the fact that such assurances had been given".[77]

The consultative committee of Córas Tráchtála meeting on October 25 1956 however, while recognising "that the tax rebate would be of value in inducing foreign firms to establish manufacturing facilities in this country for export", warned that "care must be taken to ensure that such firms do not thereby obtain an unfair competitive advantage over established Irish firms".[78] In the end, Norton – speaking for the Department of Industry and Commerce – won the day in arguing that repeal would be "a breach of faith towards those who have set up factories on the basis of the existence of the Acts".[79]

[71] *Irish Press*, 15 October 1956.
[72] Quoted by Brian Farrell, *Seán Lemass*, (Dublin, 1983), p. 94.
[73] Garret FitzGerald, "Mr. Whitaker and Industry", *Studies*, XLVIII, (1959), pp. 138-150.
[74] McCullough, *Reluctant Taoiseach*, p. 293.
[75] NAI, Taois/ S/15735 A
[76] Costello papers, UCD, P190/787/(2)
[77] Ibid.
[78] NAI, Ind&Comm/E/22/3/74
[79] Cited by McCullough, *Reluctant Taoiseach*, p. 293. The IDA may have differed from Industry and Commerce on this. Girvin asserts that it recognised "at an early stage that the Control of Manufactures Acts obstructed attempts to attract foreign companies to Ireland. The Authority recommended that

Like Córas Tráchtála, the Department had argued that repeal "would permit of the unfettered investment of outside capital in unsuitable as well as suitable cases and.. would constitute a grave threat to existing and future industrial development". It admitted that the provision of the acts might look formidable to an outsider and "might tend to frighten off e.g. American groups contemplating establishment of a unit in Europe. It might accordingly be helpful if it could be brought home to potential foreign investors that the Acts are not operated in a restrictive manner and that it is the policy of government to encourage the flow of external capital and of new techniques and processes into this country, particularly if there are export potentialities, and that with a view to encouraging developments of this nature the Minister is prepared to grant New Manufacturing Licences".[80]

An example of the Government's struggle to reassure outside investors that the acts were not enforced in an overly restrictive way is provided by a contemporary memorandum from the Department of External Affairs to the US authorities. It stated that:

> The principal purpose of the Control of Manufactures Acts was to ensure that external interests would not secure an undue share of the ownership and control of Irish manufacturing industry. The Minister for Industry and Commerce has power however to authorise the establishment of industries under foreign control where he is satisfied that this course is not harmful to existing Irish industry. The Minister's power in this regard has been exercised liberally. In the 20 years since the Acts were passed some 240 industries controlled externally have been set up. No sound proposal for the establishment of an industry new to this country has been turned down merely because control would rest in the hands of non-nationals. Special consideration is given to proposals aimed at developing an export trade.[81]

6. Aftermath

As we have seen, the granting of the concession for *increased* exports only had met one of the objections to EPTR raised by Revenue and Finance. Lemass criticised this restriction in a Dáil speech in November 1956: "In three, four or five years' time, the origin of this measure will be forgotten and we shall merely have a picture of two firms side by side doing the same job, one being taxed at double the rate of the other. That principle is indefensible."[82] His dirigiste tendencies are apparent in the suggestion that to counter serious losses to the exchequer from existing exports of beer, spirits and tobacco, "we at least urge that the Government should decide the particular industries it wants to encourage, that have export possibilities, and give the concessions to every firm in these industries."[83]

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these Acts should be amended to ease the restrictions on foreign capital entering the country" (*Between Two Worlds*, p. 180).

[80] Costello papers, UCD, 1954, P190/787/(2).

[81] NAI, Taois/S15231B; 28 July 1955.

[82] Dáil Éireann - Volume 160 - 28 November, 1956; Finance (Miscellaneous Provisions) Bill, 1956—Second Stage.

[83] Ibid.

Fianna Fáil did not follow this route upon returning to power. Instead, its Finance Act of 1957 introduced an alternative relief to manufacturers of 25 percent of the tax referable to the profits attributable to total exports.[84] McAleese reports however that very few firms applied for relief under this scheme and that it had effectively been abolished by the early 1970s.[85] Fianna Fáil also expanded the tax remission to 100 percent from the following year, while the budget statement of 1958 lengthened from five to ten years the maximum period of the 100 percent tax exemption.[86]

Donaldson could find "no official economic rationale" for this and casts doubt "upon the need for Ireland to have increased the tax relief to 100 percent".[87] The new Fianna Fáil Minister for Finance however had circulated to the government a copy of an address given in March 1957 by Professor Charles Carter of Queen's University, Belfast, which argued that "by far the most hopeful means of getting good management, technical knowledge and capital all at once is from subsidiaries of large foreign companies; and it would be worth very large inducements indeed, *including complete exemption from taxes for a period*, to get more of them" (italics added).[88]

The expansion of the tax remission to 100 percent signalled that one component of the rationale for the Costello initiative – as revealed in the background document to his October 1956 speech, which spoke of the extra tax revenues that the measure might raise – had been overturned.

The Department of Finance continued to fight a rearguard action, particularly against this final measure. Whitaker in a latter to Erskine Childers, Minister for Lands, in February 1958, on the opening of a Danish-run fish farm in Ireland, proposes proceeding by way of double taxation relief rather than via an exports tax concession. "Nothing we can do", he notes, "will relieve the Danes of *all* tax on their income from the trout farm. A double taxation agreement would secure that they paid only *one* tax – and that tax to the *Irish* Exchequer. The exports tax concession will secure that they pay one tax – but to the *Danish* Exchequer." He makes a similar point with respect to the Shannon scheme, expressing "great difficulty in understanding how precisely an American or British Company operating in Shannon would benefit from remission of Irish income or Corporation Profits tax. The effect of our double taxation agreements with these countries would…be to transfer the benefit to the British or American Exchequer."[89] He also argues at this time against extending the relief to publishers, to the building and repairing of ships, and to individuals and partnerships. "Department of Finance concerns regarding the policy remain, and remain the same."[90]

With the breaching of the logjam on foreign ownership, many of the restrictions imposed by the Control of Manufactures Acts were rescinded with the passage of the Industrial Development (Encouragement of External Investment) Act of 1958.

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[84] NAI, Taois/S/16128.

[85] Dermot McAleese, "Capital Inflow and Direct Foreign Investment in Ireland 1952 to 1970", *Journal of the Statistical and Social Inquiry Society of Ireland* (1972-73).

[86] NAI, Taois/S/14818A,B,C. The zero tax rate ultimately lasted until 1980 when, as a result of negotiations with the European Community, it was replaced by a 10% corporation tax rate on all manufactures.

[87] Loraine Donaldson, *Development Planning in Ireland*, (New York, 1965), pp. 123-4.

[88] NAI, Taois/S/16211.

[89] NAI, Fin/F049/012/58

[90] NAI, Fin/F049/005/58-F049/013/58

Background notes to the bill state that "the Minister... is of the opinion that the contribution by externally promoted concerns geared for export is likely to be a significant factor and that, in their establishment, the participation of external capital must be facilitated."[91]

The 1958 OEEC report on Ireland notes nevertheless that "despite the recent relaxation of restrictions, the conditions governing foreign investment in Ireland are still more restrictive than would seem appropriate in the light of Ireland's overriding need for new investment and enterprise'.[92] The Control of Manufactures Acts were repealed completely by an act of 1964 which provided that they would cease to operate in 1968.

Conclusions

The defeat inflicted on the Department of Finance by Industry and Commerce over EPTR contextualises Lee's discussion of some of the less obvious motivations behind *Economic Development*: "Whitaker had not become Secretary of Finance to preside over the decline of the premier Department. It was therefore necessary in terms of administrative politics to seize the initiative for Finance with a positive approach.. Already in May 1957, Whitaker was urging his Assistant Secretaries that it was desirable 'that this Department should do some independent thinking and not simply wait for Industry and Commerce or the IDA to produce ideas'.. Little wonder that Garret FitzGerald interpreted *Economic Development*, when it appeared the following year, as 'the snatching by the Department of Finance of the initiative in planning'."[93]

Economic Development in turn proved invaluable to Fianna Fáil by providing political cover for its U-turn on economic policy, as both FitzGerald and Lee have noted.[94] "It may be surmised", Lee writes, "that Lemass had little ambition to inflict on his backbenchers, or on de Valera, the enlightenment that would be willingly proffered from the opposition benches about the manner in which Fianna Fáil had at last seen the light, and was now reneging on its earlier self.. The de-politicisation of 'planning' was too useful an asset to be wantonly surrendered to the capricious vagaries of Dáil debates."[95]

McCarthy has commented on how closely the new Fianna Fáil policy from 1957 matched Costello's proposals for industry.[96] David McCullough writes that "Costello could certainly claim that his government had started to pursue policies very similar to those in *Economic Development* before it left office. Costello's plan was based on the incorrect assumption that agriculture would be the main driving force of expansion – but so was Whitaker's."[97]

The conventional focus on Whitaker and Lemass tends to ignore the co-evolution of economic thinking in the major political parties. The importance of the intense

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[91] NAI, Taois/S16315
[92] NAI, Taois/S16446
[93] Lee, *Ireland, 1912-85*, p. 343. FitzGerald's article appeared under the heading 'Analyst' in the *Irish Times*, 25 November 1958.
[94] Garret FitzGerald, *Planning in Ireland*, (Dublin, 1968), p. 26.
[95] Lee, *Ireland, 1912-85*, p. 352.
[96] McCarthy, 'Whitaker', p. 30.
[97] McCullough, *Reluctant Taoiseach*, p. 374.

electoral competition of the period is similarly downplayed. 1932 brought sixteen years of unbroken Fianna Fáil rule. Each of the four general elections from 1948 instituted a change of government. Along with the depth of the 1950s recession, this further incentivised Fianna Fáil to reexamine its policies. Lemass has admitted that "it was not until our second period in opposition that we really got down to thinking in a serious way about the post-war economic problems of the country and preparing our minds for a comprehensive approach to them."[98] The evolution in Fianna Fáil thinking was clearly influenced by inter-party government initiatives including the Capital Investment Advisory Committee, the Industrial Development Authority, the Irish Export Board (the forerunner of Córas Tráchtála), the extension of the industrial grants scheme, and of course EPTR.

The conventional wisdom, in crediting Whitaker and Lemass in partnership as the architects of the new outward-orientation of the economy, also arguably blurs the distinction in approach between the two. Whitaker's economic liberalism stands in contrast to the dirigisme of Lemass.[99] Sweetman would receive Whitaker's warm endorsement many years later, when the latter told Bruce Arnold in an interview in August 1986 that his former Finance Minister "had both the energy and capacity to carry a thing like *Economic Development* through".[100]

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[98] Bew and Patterson, *Lemass*, p. 86.
[99] Brownlow argues that *Economic Development* has subsequently been assumed to have been much more statist and interventionist than is warranted by an objective reading of the document. Graham Brownlow, "Fabricating Economic Development", *Economic and Social Review*, 41, 2, (2010), pp. 301-324.
[100] Quoted by McCarthy, 'Whitaker', p. 43.

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