ECONOMIC SURVEY

Ireland: the fastest growing

American System policies behind economic boom,

The fastest growing country in Europe—measured by rates of economic expansion—is not West Germany, not France, and certainly not Great Britain. It is Ireland. More astounding is the fact that this tiny country—which until 25 years ago was almost exclusively a nation of small farm holdings dedicated to the export of foodstuffs, livestock and other agricultural products—should now *top* the Organization of Economic Cooperation and Development (OECD) league (except for Japan) in average yearly growth of manufacturing output and surpass *every* other industrialized country in 1978 rates of manufacturing output, capital investment and GNP.

Of greater significance, the population of Ireland is rising for the first time since the Great Famine. The 150-year-old hemorrhage of forced emigration which has drained the country of its most valuable resource—its labor power—is being halted as more and more high-technology jobs are created every year. According to spokesmen for the Industrial Development Authority—the agency responsible for promoting and attracting industrial investment—another remarkable development is occurring: at current growth rates, the Irish standard of living, based on production per capita, will surpass that of once mighty Britain by 1980. Yet the birth of Ireland as an industrial nation dates from only the 1950s, while Britain's much-vaunted "Industrial Revolution" took place 200 years ago!

A recent OECD survey, commenting on Ireland's extraordinary economic performance, concluded that "the growth of output has been one of the fastest in the OECD area with the major stimulus coming from bouyant exports and fixed investment." This is an absolutely accurate assessment. However, while the OECD report and other equally influential economic publications have detailed the statistical correlatives of Ireland's economic success, none have identified the "theory" which has made such a remarkable transformation possible.

It is in many ways fitting that Ireland is now the most profitable location on earth for American industrial capital, and that the rate of U.S. manufacturing investment in Ireland has expanded faster than that of any other country in the world. U.S. companies now account for nearly half of all overseas investment in the Emerald Isle; since 1970, four times as much industrial investment has been committed by American corporations than in the preceding 20 years, expanding at a rate of 186 percent in the last five years alone.

The reason that industrial investment from U.S. Fortune 500 companies and also from Japan, Germany and Ireland's other Common Market partners is doubling every four years—contributing to the phenomenal rise in export-led growth—is at least in part due to the unique program of tax incentives, development subsidies and cash grants of every sort which the government has introduced especially to attract overseas investment. But when the corporate vice president of a U.S. manufacturing firm such as G.E., Westinghouse, Emerson Electric or Burlington Industries looks at the investment climate in Ireland, he is not only attracted by the tax "holidays," the surplus of skilled labor, the highly modern and efficient industrial plant capacity, which has benefited from the most important technological innovations of the last decade; he is also struck by the uncompromising commitment to industrial development, the overriding priority given to fostering scientific and technological progress, and the unswerving dedication to nation-building demonstrated by almost every representative of the Irish government whom he has occasion to meet.

This is particularly true of the elite core of protechnology intellectuals represented by the Industrial Development Authority (IDA)* whose agents in

country in Europe

decision to join EMS

North America have been the driving force behind efforts to shape and carry out the nation-building policies of the Irish government. This is no less true of the Irish Export Board. In addition to promoting Irish exports abroad, it provides consulting services to Third World countries in export development based on the technique that contributed to Ireland's own transition—in less than 20 years—from a rural to an industrial economy.

The 'method' behind Ireland's boom

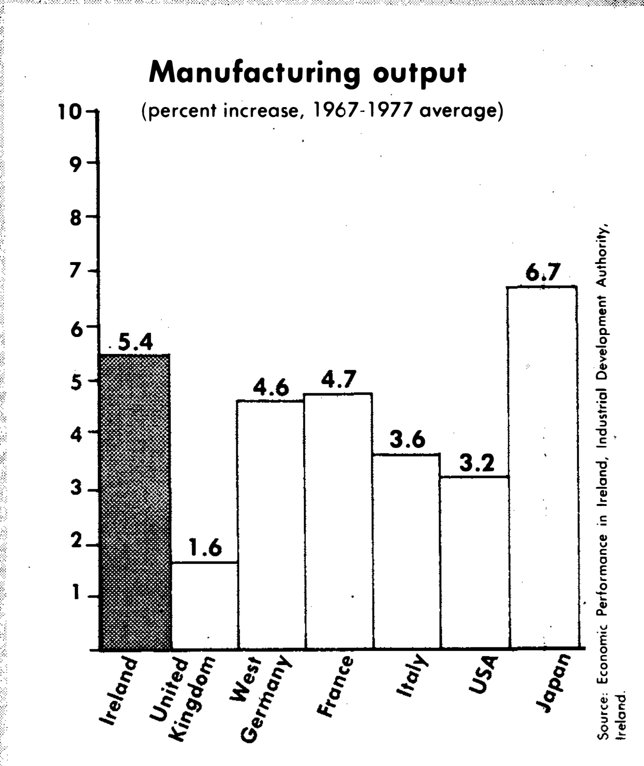
Although historians and economic analysts insist there is no particular "method" underlying Ireland's rapid economic progress, the commitment to certain key principles of scientific-technological growth, particularly the cultivation of capital-intensive advances in the productive powers of labor in industry and agriculture as the determining factors in creating national wealth, are immediately recognizable in knowledgeable American circles as the same theoretical conceptions upon which the United States was founded and became a prosperous industrial republic.

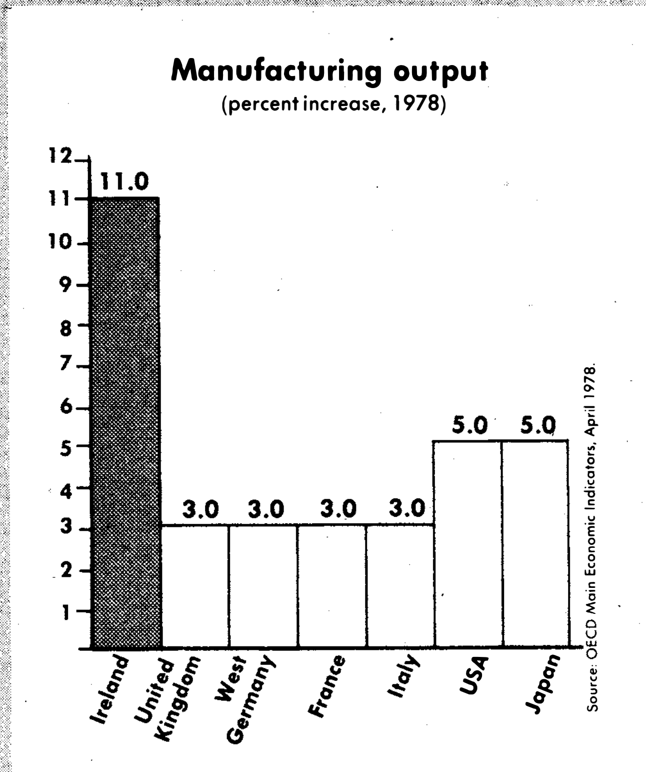
Ironically, one of the most ardent supporters of the Hamiltonian economic policies which became known as the "American System" (to distinguish such policies from the "British System" of free trade and economic warfare) was an Irish patriot, Mathew Carey. Carey had been kicked out of Ireland by the Tories for "defaming the British" when he resurrected Jonathan Swift's *Modest Proposal for the Universal Use of Irish Manufactures*. He made his way to France, where he met General Lafayette, returned briefly to Ireland, and then emigrated to the U.S., where he became an important collaborator of Benjamin Franklin and a champion of Alexander Hamilton's "dirigist" policies for fostering technological progress and prosperity as a matter of national priorities, as opposed to the "laissez-faire" model, popularized by Adam Smith, of letting trade and the economy "regulate themselves."

Carey's addresses to the Philadelphia Society for the Promotion of National Industry, delivered in 1819, were a direct refutation of the British-authored "free trade" theories whose aim was to subvert the development of the United States as an industrial nation. His campaign—waged through publications, meetings and speeches—for a continued commitment to Hamiltonian economic policy helped to consolidate the gains of the American Revolution. Contemporary opinion placed this Irish-born patriot second only to Hamilton as a leading protagonist of the "American System." The same policies, argued by Mathew Carey's son Henry Carey later helped to shape the economic policies pursued by the Federalist-Whig forces during Abraham Lincoln's presidency.

Carey's ideas came full circle when they were exported back to his native country through the works of German economist Friedrich List. List was introduced to Carey's Philadelphia circle by General Lafayette in 1824. He incorporated the theories of Carey and other Hamiltonian political economists into his own ground-breaking works which played a crucial role in the formation of the German Customs Union (*Zollverein*) and later laid the basis for the German industrial revolution.

List's ideas on the necessity for an emerging nation-state to develop a manufacturing economy as quickly as possible, behind tariff walls if necessary, formed the core conception advanced by republican "Sinn Fein" leader Arthur Griffith, who played an important role in the Easter Rising of 1916 and who is considered one of the founders of the Irish Free State.





EMS membership not really a surprise

It was the List-Carey tradition that largely determined the course of economic development in the Irish Republic and ultimately influenced its decision to join the European Monetary System in December 1978. Since Ireland had been implementing the dirigist theories that lay behind the conception of the EMS from at least the 1930s, Irish officials could not understand the surprise in certain European circles when they indicated Ireland's commitment to the EMS idea. The institutionalization of East-West and North-South economic and political cooperation, in such a way as to launch a global economic boom through the issuance of long-term credit for industrial-technological development, was the obvious international framework to maximize Ireland's long-time political goals of ending its financial dependence on Great Britain and contributing to the fostering of an enhanced climate for trade and industrial investment worldwide.

As Irish Prime Minister Jack Lynch put the matter: "We believe in the objectives of the system, which is the basis of a broadly based strategy aimed at improving the prospects of economic development. ... We believe in the desirability of creating a zone of monetary stability. This, by enhancing the prospects for trade and investment, will, in the ultimate, improve conditions in Ireland and make it easier to attain the government's aim of faster economic growth, lower inflation and full employment."

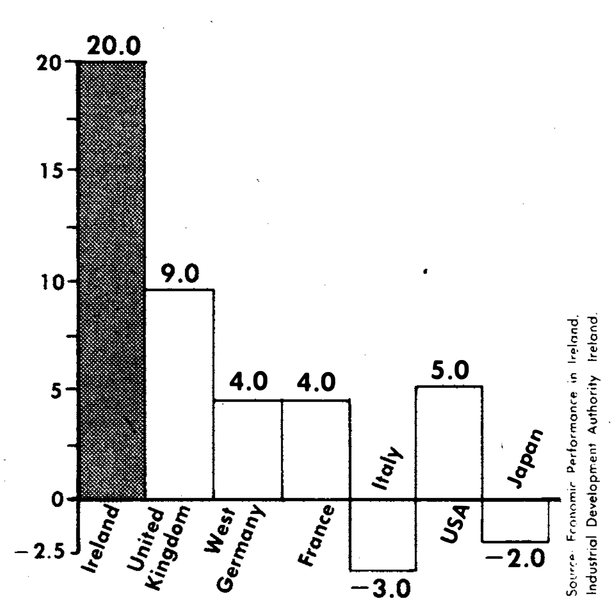
Because of its own unique development experience, Ireland is well situated to play a leading role in carrying out the mandate of EMS co-founders West German Chancellor Schmidt and French President Giscard, whether this means putting additional muscle behind the original ideas, actualizing EMS policies in the Third World through the example of its own growth experience or, most importantly, incorporating the United States into what has been termed the "seed crystal" of a new world monetary system.

Ireland is already functioning as the primary link between America and Europe not only because of its membership in the EMS and the European Economic Community as well as its historical and economic ties to the U.S., but because the constant flow of ideas on the highest conceptual level between Ireland, America and Europe played such a crucial role in shaping its own development as an industrial nation. Now is the time to extend these ideas beyond the borders of the Emerald Isle.

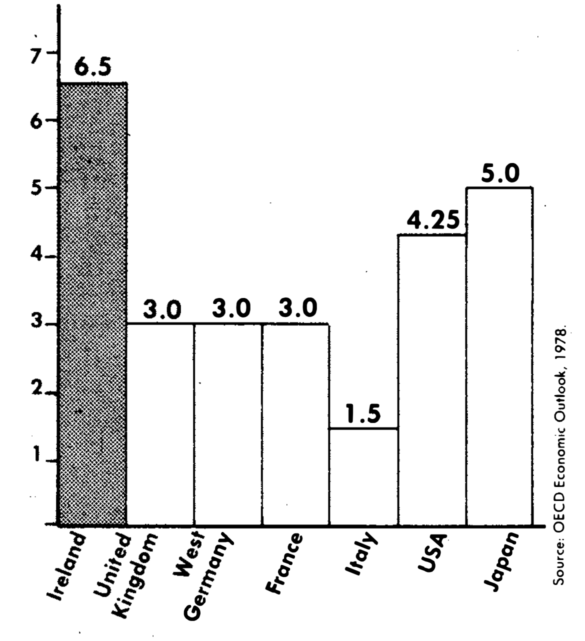
Three-year plan aims at 20 percent growth

In January of this year, the most ambitious blueprint in the history of the Irish state was launched. As outlined in the Government White Paper, *Programme for*

Manufacturing investment
(percent change, 1978)



Gross National Product
(percent increase 1978)



National Development, 1979-81, the three-year plan calls for a real growth of 6.5 percent in 1979, which would make Ireland the fastest growing country in Western Europe for the third year in a row. To achieve this aim, the program calls for a more than 10 percent hike in manufactured exports, a phasing out of the budget deficit and a reduction in the inflation rate from 8 percent to 5 percent by the end of 1979. Growth in national output over the three-year period to 1981 is slated at 20 percent.

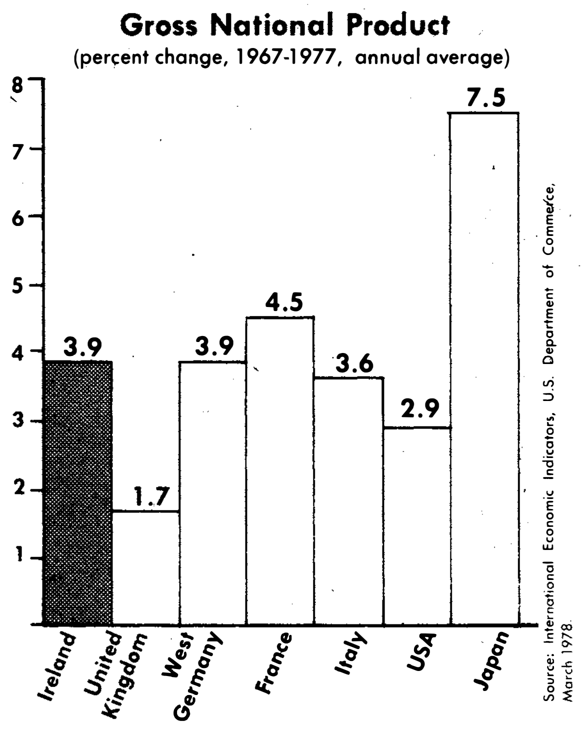
The boldest element of the Irish development plan is the total elimination of unemployment by 1983. Permanently halting the outflow of Ireland's most important resource—labor power—will require, at minimum, the creation of 25,000 to 30,000 new jobs per year by the government's own estimates. Between 1973 and 1976, 17,000 new jobs outside the agricultural sector were created, barely reaching the break-even point. If the national target of full employment is to be achieved and maintained, the industrial sector will need to almost double its work force over the next decade, according to the IDA's projections.

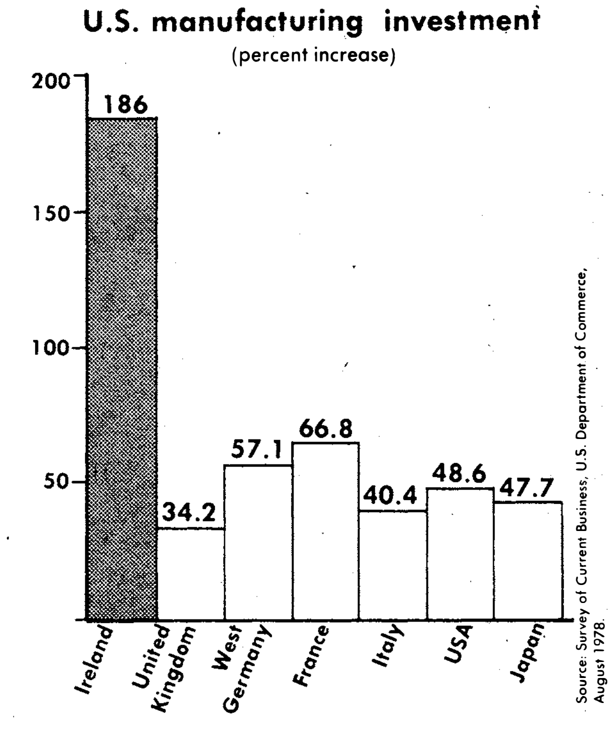
Another oil crisis or a major downturn in world trade could set back the country's goal by several years (as it did in 1973-74), or permanently. For this reason, the Irish government is quietly proceeding with plans to set up its own state-run oil company which would negotiate directly with producer companies on a bilateral basis, bypassing the British-controlled oil companies that the Irish government itself has charged with "blackmail." Reportedly, the Soviet Union has already offered to build oil refineries in the Republic, financed with interest-free loans. In addition, the Irish government has decided to go ahead with the construction of its first nuclear plant, at Carnsore Point on the southeast coast, despite the propaganda fallout from the Three Mile Island incident at Harrisburg, Pa. and the increasingly vocal protests of Ireland's own environmentalist lobby.

Foreign investment booms

Meanwhile, the immediate target of the Industrial Development Authority is to create the conditions for an increase in the manufacturing workforce by at least 25 percent over the next three years. This means the IDA will need to complete negotiations for new projects with the potential to create over 100,000 jobs at full capacity. The required increase in the industrial labor force will demand actual investment of about $2.4 billion in manufacturing plants and equipment. Much of this will have to come from overseas corporations setting up new plants in the Republic or expanding already existing operations.

The IDA, these days the smoothest and best-funded agency in Europe for attracting foreign investment,





held a press conference in New York Feb. 5 to outline an innovative new tax program which is expected to be a crucial element in Ireland's strategy to draw in capital investment from abroad. Speaking to a group of U.S. business leaders, Jerry Kelly, Director of Corporate Planning for the IDA's headquarters in Dublin, announced that the new tax program, which becomes effective in January 1981, will "effectively represent a zero tax burden for growth-oriented companies."

The new program reduces the corporate tax rate for all overseas manufacturing firms investing in Ireland, and does not supersede the system of "tax holidays" currently in effect. Under this plan, companies that expand and create jobs are entitled to complete freedom on export profits until April 1990. "Companies which agree to establish manufacturing plants in Ireland before the end of 1980 will still qualify for the 100 percent tax break,"
reach their 20-year limit on export sales relief will qualify for the 10 percent rate, or, if they chose, may opt to change over to the new program at an earlier date. Kelly added that the new measures "highlight the Irish government's commitment ... to enhancing the investment climate. It is a restatement of our dedication to growth in the economy through the private sector."

Attracted by an economic climate favorable to growth and expansion, more than 700 new manufacturing operations owned by companies abroad have begun production in the Republic since the government first launched its program for export-led growth in the late 1950s. Almost half of these were from the U.S., with the bulk of the rest coming from Germany, Japan, Britain and a growing number from France, Canada, Australia, Sweden, Belgium and the Scandinavian countries.

In 1977, nine new companies with a combined capital investment of almost $12 million came from Germany; Nixdorf Computer, one of the biggest German firms in Ireland, is currently building a new $8.5 million electronics plant near Dublin.

Japanese electronics, textile and computer software firms, set up with the aid of the IDA, have contributed to the pattern of industrial "enclaves" which now dot the Irish landscape. One of the largest plants in Ireland is the $100 million Asahi acrylic fiber and spinning complex at Killala on the west coast, opened in May 1978. It is the Japanese corporation's biggest factory anywhere. Nippon Electric, the Japanese electronics firm producing memory and logic integrated circuits, was the first major semiconductor manufacturer to be established in Ireland.

However, the mainstay of new investment from abroad continues to be the United States. American manufacturers have invested over $2.5 billion in Ireland, creating more than 50,000 new jobs in the process. During 1977 alone, 36 U.S.-owned projects,

Ireland: window on the Third World

On June 1, Ireland takes over the chair of the EEC Council of Ministers from France. As President of the Council of Ministers, Irish Foreign Secretary Michael O'Kennedy will preside over the review in September of the first six months of the EMS.

Recent remarks by Foreign Minister O'Kennedy may provide some clue as to the direction EEC policy will take under Irish leadership.

To the Irish State Agencies Development Cooperation Organization (DEVCO), Feb. 1978: "We perhaps, more than any other developed country, are seen by many in the Third World as being in a position to respond sensitively and effectively to their needs and to act as a bridge between the developed and developing world. Our past, therefore, has placed us in what I believe is a particularly privileged position, but this position also brings with it a responsibility and an obligation to use our commitment and our capacity in the most effective way. I believe we are living up to this responsibility and this obligation. And the fact that we are doing so, in large part through our personal commitment to the developing countries, means that this contribution is achieved in a particularly meaningful and effective way.

To a seminar on the Lome Convention, Nov. 1978: Ireland's own history and fairly intensive development experience over the past few decades has given us, we believe, a rather special window on the problems which have to be surmounted in building an intensive national technique for development in a newly independent state. While these problems vary considerably in different countries and continents, we believe nonetheless that our experience may have relevance out of proportion to our small size.... Since Ireland's industrial development is of comparatively recent origin we feel that we understand some of the problems that may be encountered by developing countries....

representing a total fixed investment of approximately $200 million, concluded negotiations with the IDA. Among these:

• Burlington Industries, the world's largest textile company, announced it will build two new plants in the Irish Midlands and will expand its two existing plants to form an integrated textile complex serving the European market. Additional investment is slated to reach almost $100 million.

• Digital Equipment Corporation, one of the world's foremost manufacturers of mini-computers, unveiled plans to establish a second multi-million pound facility in Ireland. The company's 8-year-old plant at Galway already employs more than 1,000 workers. Output has doubled each year since 1971; the facility now supplies more than 75 percent of DEC's exports to Europe.

Last year, investment commitments from U.S. firms were double the 1977 figure at $400 million. Figures compiled by the U.S. Department of Commerce showed why: the return on investment for U.S. industry in Ireland from 1974-1977 averaged 28.3 percent—the highest in the world.

Among the firms announcing plans for new or expanded Irish operations in 1978 were Polaroid, Ford, Westinghouse, Squibb, B.F. Goodrich, Data Terminal System, Abbott Laboratories, and Emerson Electric. In terms of the number of jobs it will generate, the Polaroid Corporation's proposed new plant in County Kildare will be the largest American venture ever undertaken in Ireland. The company's new facility will employ over 1,500 people when it is fully operational.

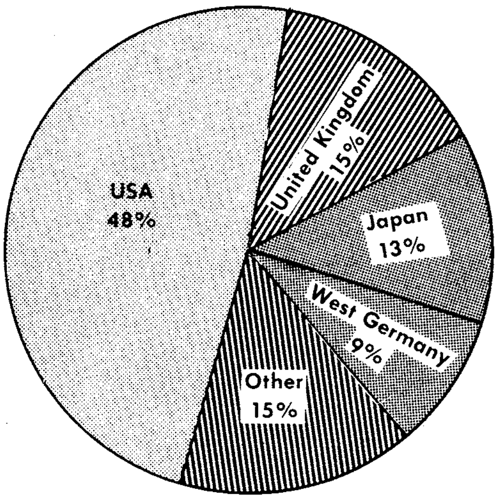
In the first few months of 1979, the Industrial Development Authority has already announced two major "coups":

• With a capital investment of over $12 million, Documation, Inc. of Florida will establish a new plant in Dublin to produce a sophisticated range of high-speed line printers for the computer industry. The model which the company will produce at its Dublin plant is the world's fastest impact line printer; exports will go primarily to Europe.

• One of the most technologically-advanced microelectronics manufacturers in the world, Mostek of Houston, Texas, will locate an $85 million microchip manufacturing plant in Ireland, despite the hefty incentives offered by the British government to snatch the almost completed deal out of Ireland's hands. Mostek will set up a training center to test integrated circuits and conduct research on its state-of-the-art computer technologies.

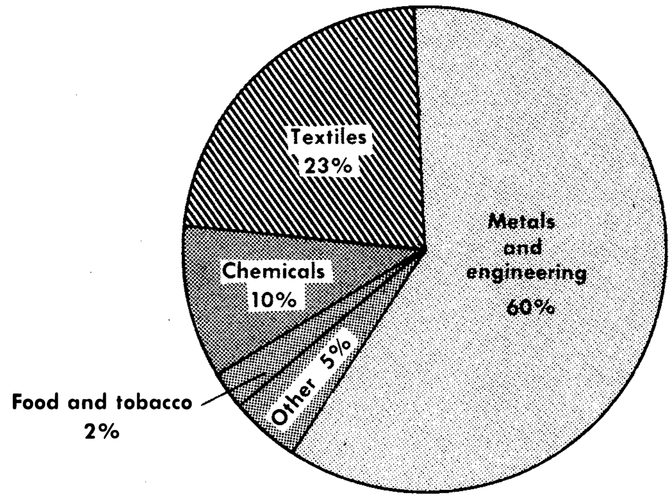
According to Barney Usher, director of technology programs for IDA Ireland in New York, "The Republic is fast becoming a major base for high-technology manufacturing in the European Economic Community." The new, foreign-owned enterprises—which

Overseas investment in Ireland (1960-1977)



Source: Annual Report, Industrial Development Authority, Ireland, 1977.

New overseas investment approved by sector (1977)



Source: Annual Report, Industrial Development Authority, Ireland, 1977.

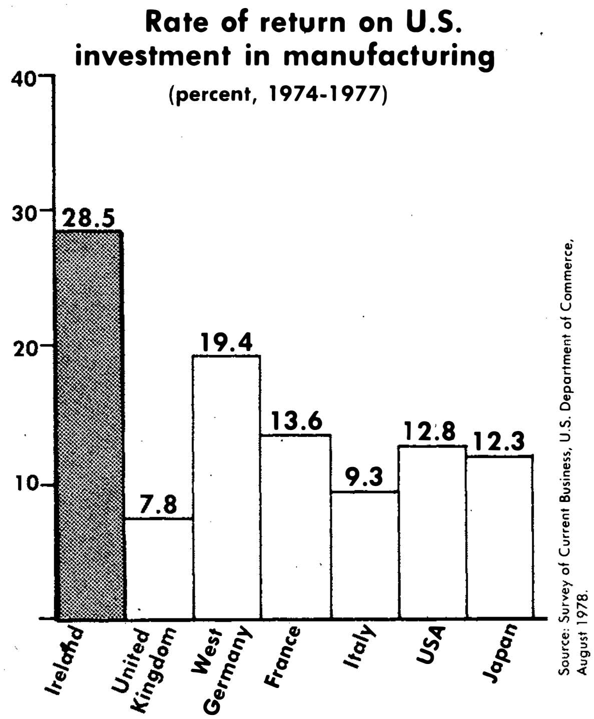
account for more than half of Ireland's export earnings—have also provided much of the capital for expanding Irish industry and contributed to the achievement of national growth targets by infusing new skills into the Irish labor force. The training lab being set up by Mostek, for example, will provide graduates and technicians for other foreign microelectronics companies which Ireland hopes to attract, as well as making available research facilities for the country's rapidly expanding technological base.

In addition to providing non-repayable cash subsidies ranging from 35-50 percent on capital improvements, the Dublin government generously subsidizes the cost of research and development as one of the core components of its financial incentive program. Matching grants are often provided to defray the cost of in-house R&D programs, and the IDA has its own research park where companies can set up their own facilities, in most cases, free of charge. It is also not unusual for the Irish government to pick up the tab for training employees in new industries, since this means increasing the skill levels and the productive potential of the country's industrial workforce and providing the basis for further growth.

The idea that exponential leaps in the productive powers of labor are required to build a nation and that this in turn requires and depends upon a thriving industrial sector has always been the operational principle behind Ireland's development plans. This point is particularly poignant in the case of Ireland, which for the last 100 years has watched helplessly as its most valuable resource—its young men and women—left the country in droves to find jobs in their chosen field of scientific or technological expertise.

It can, and has been, argued in Malthusian terms that the exodus of so many people helped to "balance" the Irish economy, since the presence of more unemployed would only have provided the seeds for a major social upheaval. This is antithetical to any sane definition of a healthy economy—the Irish government's view most definitely included.

The fundamental kernel behind Ireland's drive to industrialize has been the need to reverse the emigration trend, by achieving ever-increasing rates of technological growth in order to provide for the absorption and upgrading of skilled labor. This principle was stated explicitly in the *Third Programme for National Development*, presented to the Irish Parliament in 1969. "Since those who emigrate are often the people who bring about change and growth in the economy," stated the White Paper, "there is a double loss because their departure means a diminished capacity to increase national output. In a sense therefore, growth is needed so that growth can be achieved."



Ireland's foreign trade

(percent of total)

Destination of exports	1962	1970	1972	1977
Great Britain	73.8	65.9	60.8	47
Other EEC	5.7	11.6	16.8	29.2
USA and other	20.5	22.5	22.4	23.8
Origin of imports				
Great Britain	49.6	53.5	51	48.2
Other EEC	13.0	17.7	18.4	19.9
USA and other	37.4	28.8	30.6	31.9

Particularly with respect to exports, Great Britain no longer dominates Ireland's foreign trade.

Source: Basic Statistics, Department of Foreign Affairs, Dublin, Ireland, June 1978.

The road to the EMS

Although Ireland gained its political independence from Britain in 1921, when the Irish Free State was established as a Commonwealth dominion, it really only "won" its economic independence recently. The last remaining political links to England were severed in 1949 when the Irish Free State became the Republic of Ireland and severed all ties to the Commonwealth and the British Crown. However, the economic links were not broken until Ireland joined the European Monetary System in December 1978 and solidified this commitment by severing the 152-year-old link between the Irish "punt" and the pound sterling in March 1979.

This move elicited quite a few "harrumphs" from Britain—where queens, kings and policymakers have never been able to understand why the Irish did not want to be British. But Ireland's decision to place its "trust" in Europe, as EMS co-founders Schmidt and Giscard are now finding out, was merely the logical outgrowth of the List-Carey tradition upon which both Ireland's industrial "revolution" and the EMS are based.

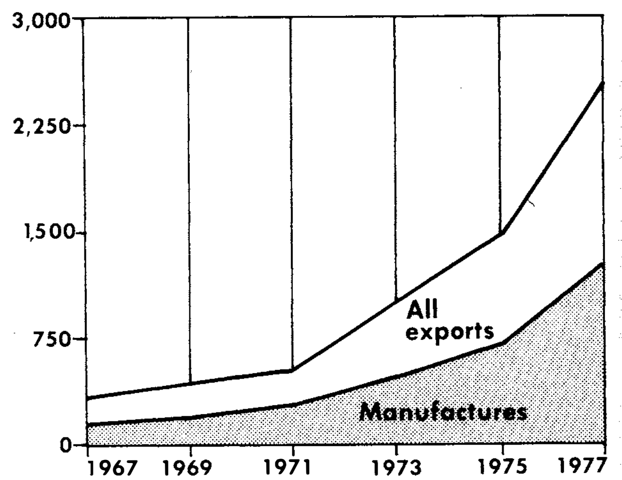
The application of these principles began in the 1930s when Ireland's political leaders were confronted with the task of building a nation from the ground up. The newly independent country already had a well-organized administrative infrastructure, an efficient banking and financial system, a transportation and communication network—but it had no industrial tradition of its own. The Act of Partition under which the six northern counties, known as Ulster or Northern Ireland, opted to remain part of the United Kingdom, and the conclusions of the Boundary Commission (led by a protégé of British geopolitical "expert" Lord Milner), ensured that the south would remain a permanent agricultural plantation. Both industry (primarily textiles) and raw materials were concentrated in the north; the population in the Irish Free State was primarily rural, and technological skills and training were scarce. The only economic base was the production and export of food and livestock.

Making what use they could of the country's slender resources, government leaders first began a campaign to ensure the stability of the agricultural sector. The 1927 Agricultural Credit Act provided for the establishment of an Agricultural Credit Corporation as a state-run enterprise empowered to make government-backed loans available to farmers for productive purposes on reasonable terms.

The Agricultural Credit Corporation held a significance that went far beyond its relatively modest operations. It was the beginning of a trend of state intervention that was to become an integral part of

Total exports, 1967-1977

(millions of pounds)



Source: Annual Report, Industrial Development Authority, Ireland, 1977.

EMS membership will speed

The official statement by Prime Minister Jack Lynch of the Republic of Ireland on December 15, 1978, announcing Ireland's decision to join the European Monetary System (EMS) is excerpted below.

A number of the more prosperous countries are satisfied as to the unique difficulties of Ireland arising particularly from the nature of its currency arrangements, and have agreed to make available, bilaterally, over a period of two years, resources substantially in excess of the amounts provided for in the council resolution of Dec. 5, 1978.... The greater element in these arrangements together with the EEC measures will mean that the total amount available over each of the next two years would amount to about £70 million a year, with an additional £45 million a year for a further three years. A full account of the scheme will be announced as soon as the discussions are complete. I would like to take this opportunity to place on record here the

Irish economic life. In the industrial sphere, the Control of Manufactures Act (1932) and the Industrial Credit Company ensured that Irish industry would as far as possible be concentrated in the hands of Irish owners. The Trade Loans (Guarantee) Act of 1933 empowered the government to provide credit to manufacturing enterprises that showed promise of providing jobs and engaging in capital expansion programs.

Besides the establishment of the Irish Sugar Company and the Bord na Mona (which revolutionized the production of peat for domestic and industrial purposes), the most important step taken by the government was to channel public capital into the development of a nationwide system of electrification based on the river Shannon. The brainchild of Dr. T.A. McLaughlin, an Irish graduate of the German firm Siemens-Schuckert, the Shannon scheme was the precursor of the Electricity Supply Board, a state body which built the energy infrastructure for the hard-sought-after expansion of industry.

The Irish government, however, was still operating on the principle that Ireland's chief economic role would be to export foodstuffs and agricultural products, and to import manufactured goods, a role which kept the country economically dependent on Britain as its main supplier and its leading customer as well. The risks of such an arrangement were shown clearly during the "Economic War," when the British government imposed punitive tariffs on Irish agricultural imports following Ireland's repudiation of old debts and land annuities owed to Britain. This resulted in the virtual collapse of Ireland's cattle industry and a severe setback to reconstruction efforts in other areas as well.

The legacy of Friedrich List

During this same period the germ of a new departure, looking to the creation of an Ireland that would be both politically and economically free of the British connection was beginning to take shape. The approach was the legacy of Arthur Griffith, a republican leader of the 1916 rebellion, who had championed Friedrich List's *System of National Protection*—a book, as Griffith himself wrote, that he would like to see in the hands of every Irishman. Like List, Griffith felt that the development of a native manufacturing industry—behind tariff walls if necessary—was essential to the development of an emerging nation. Although Griffith died before his ideas took hold, a young parliamentarian named Sean Lemass, who later became known as the "architect" of Ireland's industrial revolution, began to promote the new "economic nationalism" which

Ireland's economic growth

appreciation of the Irish government for the support and understanding shown by these countries in this difficult and complex negotiation....

At this point, I am satisfied that the new package provides sufficient additional resource transfers to help us overcome the critical initial two-year period....

In these circumstances, the government has decided that Ireland should also participate in this system, with her partners in the community as from Jan. 1.

The reason for the decision are, first, that we believe in the objectives of the system, which is the basis of a broadly-based strategy aimed at improving the prospects of economic development, based on symmetrical rights and obligations of all participants. We believe in the desirability of creating a zone of monetary stability. This, by enhancing the prospects for trade and investment, will, in the ultimate, improve conditions in Ireland and make it easier to attain the government's aims of faster economic growth, lower inflation and full employment....

In its short life as a nation, this country has followed policies involving both opportunity and challenge. In the 1930s, protectionism was pursued as a deliberate strategy. This gave way a generation later to the Anglo-Irish free trade area agreement. A short time afterwards, the people of Ireland voted overwhelmingly to join the European Economic Community.

The decision we have taken today is of a similar magnitude. It involves risks. It will add a further dimension to partition, although the ultimate benefits of membership of the system could outweigh the problems. The benefits for agriculture are clear. Fears have, however, been expressed on the part of certain service and manufacturing industries. Let me say here that there is nothing inherent in our decision which need have a destabilizing effect on employment in the short run. So far as any significant short term difficulties do arise, the government will help in a positive and sympathetic way.

marked the first crucial step in Ireland's development as an industrial republic.

Griffith had felt the emphasis on manufactures was all the more urgently necessary because of the habit of the Irish people to think of the land as their only major resource. "We in Ireland," he had written in 1904, "have been taught that our destiny is to be the fruitful mother of flocks and herds—that it is not necessary for us to pay attention to our manufacturing arm, since our agricultural arm is self-sufficient. The fallacy," he continued, "dissolves before reflection.

"With List I reply: A nation cannot promote and further its organization, its prosperity and its social progress equally as well by exchanging agricultural products for manufactured goods as by establishing a manufacturing power of its own. A merely agricultural nation can never develop to any extent a home or foreign commerce, with inland means of transport and foreign navigation, increase its population in due proportion to its well-being or make notable progress in its moral, intellectual, social or political development, it will never acquire important political power to be placed in a position to influence the cultivation and progress of less advanced nations. . . ."

Griffith emphasized over and over again that real independence for Ireland must be economic as well as political and this could never be complete so long as Ireland depended upon its powerful neighbor for the bulk of its manufactures. The development of a nation, as List had written, meant also that "agriculture, manufactures, commerce and navigation must all be developed in it proportionately, arts and science, educational establishments and universal cultivation must stand in it on equal footing with material production. Its constitution, laws and institutions must afford to those who belong to it a high degree of security and liberty, and must promote religion, morality and prosperity."

This definition of a nation-state by List was adopted by Griffith as his own; List's themes and others deriving from them proved decisive at a critical juncture in Ireland's historical-economic development. The institution of tariff barriers during the 1930s and 1940s helped to create a domestic industrial base where none had existed before, built up a pool of skilled labor and managerial ability, and set the process of city-building into motion.

Creating the boom of the '60s

Though they significantly altered public attitudes, these early moves toward economic self-sufficiency could not, by themselves, reverse the long-term trend in population decline which was still Ireland's chief problem. From a high of 6.5 million people before the Great Famine of 1846-47, the population had contracted continually—with emigration exceeding the surplus of births over deaths—to a level of just over 3 million. The net emigration rate in the mid-1950s was approaching 200,000 per year. These rates were nearly three times the prewar rate and higher than any other period in the 20th century. Considerably more than half the population reaching maturity was leaving Ireland. The problem remained lack of jobs.

The sad fact was: in the 40 years since political independence had been won, the Irish economy's rate of growth averaged only about 1 percent per year. New employment was created for only 800 persons per year and the total number at work in Ireland in 1951 was only one percent (or 12,000) more than it had been in 1926. As reconstruction, economic growth and rising living standards gathered steam in post-war Europe, Ireland remained a pocket of underdevelopment.

The country's assets remained extremely large in relation to GNP, but the great majority of the money was invested in one form or another in Great Britain. Neither credit nor capital was used for development to any great extent, except in the state sector; apart from one small loan in the 1920s and some minor post-war assistance under the Marshall Plan, Ireland never borrowed abroad, nor sought foreign investment.

Following a serious balance of payments crisis in the mid-1950s, a special Capital Investment Advisory Committee was appointed by the government to uncover the causes of the "British disease" which was spilling over into Ireland and to prescribe solutions. The project was entrusted to Dr. T.K. Whitaker, a secretary to the Department of Finance, which was then run by Sean Lemass. The results were a watershed in the history of Irish economic development.

Whitaker presented his report, entitled *Economic Development*, to the government in May 1958. Starting with the Republic's financial stability and strength on the one hand and its miserable rate of growth on the other, Whitaker proposed to exploit the first in order to advance the second. This Hamiltonian framework for harnessing public and private credit and directing it toward "'productive" rather than merely "socially useful" investment, represented the "breakthrough" necessary to bring Ireland into the 20th century and take its place in Europe as a modern industrial republic.

Whitaker proposed that the government should take control of credit policy and should drive the commercial banks—which were still British-influenced in terms of fiscal policy—toward supporting national expansion as an overriding national objective. At the same time, the Central (or State) Bank's powers of financial direction, up until then very small, would have to be enlarged. Next, the government's own expenditure should be channeled as much as possible into directly productive areas of industrial investment.

In industry, the primary aim was seen to be the stimulation of a "vast increase in private industrial investment while maintaining the supply of capital for productive state enterprises." Private
be encouraged and guided by a development program outlined by the government, laying down priorities in and orderly sequences of investment and concentrating in particular on the nurturing of the export industries.

Whitaker's argument was that the country needed greatly increased capital investment—provided that it was the "right kind." By this, he meant investment that added to the wealth of the country and did not merely redistribute existing wealth. This approach was fully integrated into the Irish Government's first *Programme for Economic Expansion* laid before the Parliament in November 1958. "In our present circumstances," opened the document, "we must be prepared to take risks under all headings—social, commercial and financial—if we are to succeed in the drive for expansion."

The success of the government's first program astounded friend and foe alike. The primary goal of the 1959 program had been to double the growth rate of the Republic. This was a relatively modest aim, since the rate was barely higher than 1 percent. However, by 1964, the end of the five-year program, growth had quadrupled, reaching 4 percent. Even more significantly, exports rose by more than 40 percent and GNP rose by nearly 25 percent. Investment almost doubled.

In social terms, the revolution was no less dramatic. The population of the Republic had fallen in an almost unbroken line from 1841 to 1961. But in 1961-66, it actually increased by 2.3 percent, while net emigration dropped to 16,000—about one third the level of the previous decade. The largest increase was in the 20-24 year-old age group, which had grown by nearly 25 percent. Not merely in the urban areas as a whole, but in no less than a quarter of the countryside, the population increased by over 7 percent in 1961-66. In the remaining rural areas, the decline was reduced to 4 percent—a no less remarkable achievement.

The fundamental explanation was the prioritized channeling of national credit and foreign investment into the directly productive sectors of the economy and the concentration on achieving export-led growth in the industrial sector, while reducing agriculture to a smaller proportion of GNP.

The Irish government—even those who framed the program—shies away from the term "dirigism" and chooses to call its method "economic programming." Whatever it is called, the development programs subsequently laid out in the Irish Republic drew heavily on the Hamiltonian tradition as well as on continental models such as that used by the French under de Gaulle. In April 1962, a team from the French government's Commissariat du Plan was invited to Dublin by the Economic and Social Research Institute. Meetings between the Irish Government and French Gaullist eeconomic planners had also taken place the previous year.

While the first economic program ran its course, foundations for the 1964-70 program were being laid by the Lemass government. The objectives of the first program had been to outline the opportunities for development and to encourage export-oriented industries; the objectives of the second were to achieve a maximum sustainable rate of growth needed to ensure rising living standards by aiming at further exponential increases in industrial growth. Further public authorities and special departments to modernize particular industries were set up as well as a Manpower Authority to deploy and retrain labor, and committees to monitor the performance of Irish business. Lemass, who was then Prime Minister, urged that the role of each government department engaged in implementing the economic strategy should be that of a "development corporation" in its own particular field of national activity.

Unfortunately, that second program had to be abandoned midstream, perhaps because such detailed, quantitative growth targets had been set and the goals had been premised on EEC membership by 1970 (it was not finalized until 1973), as well as a larger boost of private capital investment. But if the government is to be faulted at all, it is only for trying to achieve in 10 short years the top-down industrialization of a country which had been a British agricultural plantation for 700!

Nevertheless, a third program for growth was presented to the Irish Parliament in 1969 which evaluated the country's progress since the implementation of the first economic plan 10 years before. In those years, GNP had grown at least 4 percent—three times as fast as during the preceding decade and early four times as fast as in the years leading up to World War II. If sustained, said the Fianna Fail government, such a growth rate would "double the nation's standards of living in less than 20 years."

The future

When the Irish government joined the EMS last year, it no doubt had this promise in mind. The goals outlined in the 1979 White Paper—a sustained growth rate of 6-8 percent, a leap in manufacturing exports and overall national output and the phasing out of unemployment by the early 1980s—are geared toward eradicating the remnants of Ireland's backward rural culture and matching standards of living in the U.S. and Europe. Irish Prime Minister Jack Lynch, schooled in the tradition of Lemass and others who had fought for Irish economic as well as political independence, told Parliament when the latest White Paper was presented in January of this year: "Participation in the EMS represents a challenge and an opportunity. The benefits from the successful establishment of the system would be substantial, both for Ireland and for the European Community as a whole . . . With the necessary commitment . . . membership in the EMS can provide us with the opportunity to not alone sustain the rapid progress achieved in 1978, but to press ahead with even greater improvements in the 1980s."

With the United States, particularly American industrialists, supporting the goals laid out by EMS founders Schmidt and Giscard at the Bremen meeting of the European Economic Community in June 1978, Ireland has a good chance of achieving its economic goals. Even reunification is a possibility. According to Lynch himself: "the economic benefits of membership (in the EMS) should heighten the perception among people in Northern Ireland of our comparable level of economic development and living standards and of our independent political role in Europe."

But the opportunities open to Ireland—and to Northern Ireland in terms of reversing years of economic stagnation and the destruction of industrial life which it still endures as an outpost of British Intelligence's terrorist "experiments"—will not be furthered by the brayings of certain quasi-"Friends of Ireland" such as New York Governor Hugh Carey, Senator Ted Kennedy, Rep. Mario Biaggi and their "Irish Caucus" in Congress who more or less support British colonial policy for the United States and Ireland. Carey is now plugging for the British "dirty money" bank, the Hong Kong and Shanghai Banking Corporation—which runs the drug trade through channels intermeshing with the British Royal Family's private think tanks—to carve out a niche for itself in U.S. credit institutions. Kennedy's "National Health Insurance Bill" is nothing less than a systematic program for gutting U.S. high-technology medical care under the guise of offering comprehensive nationalized health insurance.

Let the true "friends of Ireland" now come forward and pledge themselves to rededicating the U.S. to the principles of the American Founding Fathers, principles which formed the basis for Ireland's industrial revolution and are implicit in the theory behind the EMS. This is the only way to ensure economic progress in Ireland and throughout the world.

—Marla Minnicino