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When Worse is Better: Economic Policy Making in the Two Irelands of the mid 1950s

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Abstract: *Economic Development* (1958) remains a document associated with T.K. Whitaker's role in Ireland's shift away from protectionist economics. Whatever the report's exact role in changing the direction of Irish economic strategy, the reputation of *Economic Development* greatly exceeds that of *An Economic Survey of Northern Ireland* (1957), which was a report authored by Isles and Cuthbert, two Belfast-based academics. The economic analysis contained within both reports/strategy documents along with their respective fates forms the focus of this paper. The relative failure to implement the analysis set out by Isles and Cuthbert, as well as its relative obscurity, rests on a range of factors. Perceptions of the acuteness of the respective economic problems, issues of authorship, the close interaction between political leadership and major industries/firms in Northern Ireland and the range of actionable policy prescriptions presented in a report are all important in explaining the contemporary and subsequent receptions.

Keywords: economic strategy, comparative economic history, implementation
JELs: N10, R5

1. INTRODUCTION

It is now about two-thirds of a century since the publication of two foundational pieces of applied economic analysis North and South of the Irish Border: K.S. Isles and Norman Cuthbert's book (1957) *An Economic Survey of Northern Ireland* and T.K. Whitaker's report *Economic Development* (1958).

The purpose of this article is to compare and contrast these two economic strategies. This is particularly in terms of the varying extents to which the strategy documents had an actual impact on policy and hence potentially changed economic performance. A contrast is drawn between how Whitaker was relatively successfully implemented but Isles and Cuthbert was largely ignored.

The experience of Northern Ireland and the Republic of Ireland in the late 1950s illustrates the point that sometimes radical policy reform becomes possible when economic conditions are more grim. Policy makers in the Republic of Ireland felt they had little choice but to follow Whitaker's prescription. Their Northern counterparts, in contrast, perceived the *status quo* in terms of the Northern Ireland economy was still basically sound.

We refer to both documents as strategies or strategic documents or reviews. Whitaker described his report as such. Admittedly, the Northern Ireland government in commissioning Isles and Cuthbert did not intend a strategic review. However, given the depth and width of the authors' final write-up, in terms of analysis and also their provision of some policy recommendations, the description strategy does seem fair. Whitaker's was more explicitly a strategy given that it focused on promoting economic development through mainly boosting the external sales of the Republic of Ireland particularly in terms of agriculture and food products. Isles and Cuthbert's strategic nature was more implicit. Although displaying some openness to the then relatively new Keynesian theory about demand management they retained a strongly neoclassical emphasis about getting markets (especially the capital and wage markets) to work more efficiently. Thus, they were recommending that the Northern Ireland government's strategy should be one which promoted the better working of such markets. For stylistic convenience, we use the term Republic of Ireland throughout even when anachronistic.

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2. SCENE SETTING- ECONOMIC PERFORMANCE CONTEXT: TWO ECONOMIC FAILURES TO VARYING EXTENTS

To assess the overall economic performance of the two economies in the period immediately before and after the documents we consider data relating to GDP per person (compared in common price or purchasing power parity terms) for 1938, 1950 and 1960:

Table 1: GDP per person in common prices, Northern Ireland and Republic of Ireland as a % of the UK average, 1938, 1950 and 1960

	1938	1950	1960
Northern Ireland	62	73	73
Republic of Ireland	49	49	48
UK	100	100	100

Source: Roses-Wolf Database on Regional GDP version 6 (2020)
wiwi.hu-berlin.de/de/professuren/vwl/wg/roses-wolf-database-on-regional-gdp
Roses and Wolf (2019).

The per capita level of income in both Irish economies was considerably lower than the UK average. The gap was substantially larger in the case of the Republic of Ireland. This is consistent with the comparative position implied by the figures presented in Kennedy, Giblin and McHugh (1988) for the 1920s-1960.[1]

Table 2: GDP per person growth rates, Northern Ireland, Republic of Ireland and UK, % annual average

	Northern Ireland	Republic of Ireland	UK
1926-38	0.7	1.4	1.9
1938-50	3.1	1.1	1.4
1950-60	2.0	2.2	3.0
1960-70	3.1	3.9	2.4

Source: FitzGerald and Morgenroth (2019), largely drawing on Kennedy, Giblin and McHugh (1988).

During 1926-38 Republic of Ireland economic growth exceeded that in Northern Ireland, albeit still lagging the UK performance. Positions were, however, reversed during 1938-50. Republic of Ireland growth slowed down substantially whereas Northern Ireland's accelerated. In fact, in the twelve years before 1950 Northern Ireland economic growth was substantially above the UK average. In the 1950s, however, whilst the economic growth rates of the two Irish economies exceeded those during the Inter-War period they once more fell behind the UK rate. Growth in the two Irish economies accelerated in the 1960s - more so in the Republic of Ireland than Northern Ireland - and exceeded the UK average.[2]

Table 3: Employment growth rates, Northern Ireland, Republic of Ireland and UK % annual average

	Northern Ireland	Republic of Ireland	UK
1950-60	-0.3	-1.6	0.6
1960-70	0.2	0.0	0.2
1970-80	0.7	1.0	0.1

Source: FitzGerald and Morgenroth (2019).

Unfortunately, data to consider comparative growth rates for employment for the pre-1950 period were not readily available. During the 1950s total employment in Northern Ireland and the Republic of Ireland fell but a low rate of growth was maintained in the UK. During the 1960s total employment in the Republic of Ireland remained static whereas a very low growth rate was recorded in Northern Ireland (and the UK). Moore, Rhodes and Tarling (1978) indicate that during the 1960s industrial and inward investment policies proved more effective in Northern Ireland as compared to the Republic of Ireland in terms of job creation. It was only from 1970 onwards that employment growth in the Republic of Ireland became substantial and pulled ahead of both Northern Ireland and the UK.

[1] Northern Ireland/UK 62% 1926, 71% 1947 and 63% 1960. Republic of Ireland/UK 51% 1926, 46% 1947 and 46% 1960.
[2] Unfortunately, there are not data on a similar basis to consider the long run economic growth of the other UK regions. However, we do know that Scottish gross value added per head growth in the 1960s (3.4% average) exceeded UK GDP per head growth (2.4%): Fraser of Allander (2011).

During the 1950s the two Irish economies continued to be characterised by sectoral economic structures which were much more weighted towards agriculture than was the case in the regions in Great Britain (Table 4). This was especially true in the case of the Republic of Ireland:

Table 4: Comparative sectoral structure in Northern Ireland and the Republic of Ireland, % of total employment in agriculture, 1938-60

	1938	1950	1960
London	0.9	0.6	0.4
South East England	7	8.8	5.8
South West England	10.5	10.8	7.9
West Midlands	4.7	4.3	3.0
East Midlands	7.8	7.7	5.2
North of England	4.1	3.2	2.4
Yorkshire and Humberside	4.5	3.7	2.9
Wales	10.5	8.6	6.1
Scotland	8.2	7.6	6.0
Northern Ireland	26.0	17.8	13.3
Republic of Ireland	53.7	41.1	36.4

Source: As in Table 1.

It is notable just how much larger the farming sector was in proportional terms in the Republic of Ireland as compared to Northern Ireland: in 1950 and 1960 about two and half times larger. Northern Ireland, in turn, had an agricultural sector which was roughly twice as large (as a percentage of total employment) as compared to regions such as East Midlands or Wales and Scotland which had large farming sectors. In 1950 Northern Ireland's agricultural sector was 7% points larger than that in the UK region with the next largest share of farming employment (South West England).

The final important dimension of the context for the strategies was the demographic (Table 5):

Table 5: Population levels in Northern Ireland and the Republic of Ireland, 1926-1971

	Northern Ireland population (m.)	Northern Ireland population Index, 1926=100	Republic of Ireland population (m.)	Republic of Ireland population Index, 1926=100
1926	1.257	100	2.972	100
1936	n.a.	n.a.	2.968	100
1946	n.a.	n.a.	2.955	99
1951	1.371	109	2.961	100
1961	1.425	113	2.818	95
1971	1.536	122	2.978	100

Source: Northern Ireland Population Census and Central Statistics Office website "Census through history" cso.ie/en/censusthroughhistory/

The two economies displayed contrasting population trajectories during the 1950s. Whereas in Northern Ireland the population level in 1961 was 13% up compared to the mid-1920s, in the Republic of Ireland population had declined by 5% compared to 1926. It was only after some population growth in the 1960s that the Republic of Ireland population regained its 1926 level.

In summary, and without making allowance for the fact that the two economies started from different positions and had rather different histories,[3] economic performance in both fell short of the UK average. This shortfall was more so in the case of the Republic of Ireland. To the extent that radical policy reform is both more necessary and more possible when economic conditions are worse then, prima facie, the likelihood was that an economic strategy would be more likely to be implemented in the case of the Republic of Ireland in the 1950s.

[3] And we are comparing a regional economy with a national economy.

3. SIMILARITIES

In a later section we consider in detail the differences between the two strategies in terms of both context and content in order to identify possible explanations for the greater degree of implementation in the Republic of Ireland. Before that consideration, it is worth noting that there were many similarities between the two strategies in terms of context and content.

A detailed summary of those similarities is provided in the Annex but this is a brief summary.

Low levels of income per head
Both occupied a position in the mid-1950s where average living standards were comparatively low. This was true compared to Great Britain but also relative to many other Western economies. According to Isles and Cuthbert average income per head in Northern Ireland in 1951 was 68% of the Great Britain level. Whitaker referenced Colin Clark's pioneering international comparisons of GDP per person for the late 1940s which implied the level in the Republic of Ireland was about 71% of the UK average.[4]

Relatively high unemployment
High unemployment in the early 1950s was a major policy challenge for both Irish economies and, unsurprisingly, the documents reflected this. Throughout the inter-War period and into the early 1950s the Northern Ireland unemployment rate was much higher than in GB. While Whitaker gave less attention to unemployment as such, there was a lot of concern about a possible downward spiral of low rates of economic growth allied to very substantial net out-migration, the labour market being a driver of such out-migration.

Labour market failure
Both documents gave attention to the working of the labour market. Isles and Cuthbert argued that compared to the nineteenth century the labour market had become much less flexible. Wages were less flexible in a downwards direction. The wage level in Northern Ireland compared to GB could no longer fall sufficiently far to compensate for the locational cost disadvantages. In fact, Northern Ireland wage growth during 1939-51 exceeded the UK average.

In Whitaker there was much less consideration of labour market dynamics (including wage setting relative to GB). Whitaker did argue that productivity needed to increase relative to GB, but until this happened workers in the Republic of Ireland would have to continue to accept wages which were lower than those in GB. Failure to do so would mean either high unemployment or out-migration. In the short to medium run out-migration acted as a safety valve for the labour market but by the mid-1950s the scale of that migration was beginning to be perceived as an existential threat to the viability of economy.

Identification of a capital market problem
There were similarities as to how the two strategies dealt with the capital market. Isles and Cuthbert argued that the level of capital per worker would probably be relatively lower in Northern Ireland compared to GB. To the extent that locational cost disadvantages (higher transport and fuel costs) lead to a lower return on capital in Northern Ireland, there would be less investment and lower capital per head. A relatively low level of capital per worker was incompatible with full employment, especially when Northern Ireland's relative wage level was unable to adjust sufficiently to compensate.

Isles and Cuthbert argued that savers in Northern Ireland were much more inclined to invest outside of Northern Ireland than outsiders were to invest in Northern Ireland leading to a substantial net outflow of funds.

Whitaker estimated annual savings in the Republic of Ireland during 1947-57. Savings ratios were low by European standards. In his view, capital accumulation in the Republic of Ireland was not rapid enough to permit a growth in output which would match the natural increase in the population. Hence, the scale of net out-migration in the 1950s (p.37). Whitaker was generally resistant to policies involving increasing government spending or subsidy to the extent that these would imply higher taxation and hence might crowd out private sector investment in the Republic of Ireland.

[4] Admittedly, implying a much higher comparative position for the Republic of Ireland than later (possibly more reliable) comparisons. See Table 1.

Both strategies had a focus on increasing savings within the region/country in order to fund higher investment. The promotion of inward investment (including foreign direct investment) did not get much attention. This is perhaps not surprising given the lack of data on such capital flows.

Shared emphasis on selling beyond the island of Ireland
Neither document developed a formal theory of externally orientated economic development. Nevertheless, they each implied that exports and external earnings needed to be increased given the small size of the home region/country market. Whitaker noted that protection was likely to come to an end "sooner or later" but in the meantime his document considered various opportunities for import substitution in the Republic of Ireland.

Common emphasis on agriculture as one of the main sectors
Both strategies reflected a position where agriculture and food processing together represented the largest sector within the economy. Isles and Cuthbert stated that Northern Ireland was still primarily an agricultural community with small family farms but opportunities to further develop food processing had so far been missed.

More than a third of the content of Whitaker was devoted to agriculture and food processing (roughly in line with farming's share of total employment). He noted problems relating to the efficiency of farming and food processing.

Emphasis on competitiveness
The documents shared an emphasis on competitiveness but expressed this in different ways. Isles and Cuthbert had a "model" of the structural weakness of the economy- locational cost disadvantages led to employment rates lower than GB and a narrower (and disadvantageous) industrial structure. Northern Ireland was therefore biased towards either sheltered trades or those where transport costs as a percentage of value of product were low.

Isles and Cuthbert noted that net output per head in Northern Ireland manufacturing was about 60-70% of the UK average. Whitaker similarly noted that Republic of Ireland productivity fell short of UK levels.

Whitaker was clear that the status quo was not an option: the Republic of Ireland was less competitive than either GB or many parts of western Europe and this position had been managed by combining protectionism with a high level of net out-migration.

Whitaker argued that the problem was only in part one of a lack of capital but also one of a lack of ideas to provide opportunities for fresh, productive investment.

4. DIFFERENCES IN CONTEXT OR CONTENT

Whilst there were many similarities, there were also obvious differences between the two strategies both in terms of content and context. We consider whether the differences could partly explain why Whitaker was successfully implemented whereas Isles and Cuthbert was not.

Importantly, the two Irish economies did not start from a common position in the 1950s. Northern Ireland had experienced substantial industrialisation pre-1900. Industrialisation in the Republic of Ireland came later and was associated with protectionism and then the challenges of market saturation. In the 1950s Northern Ireland was facing the onset of deindustrialisation.

The promotion of industrialisation and the attempt to reverse de-industrialisation are both challenging but it could be argued the latter is more so. Sometimes, the late starter has opportunity to leap-frog over the earlier starter through learning from the experience of the former. It can also invest in more up-to-date and/or appropriate business capital and institutions. Feinstein, Matthews and Odling-Smee (1982) argued this was one reason why UK economic growth lagged competitors at various points between 1850 and 1973. Northern Ireland, along with some other UK regions, struggled with the legacy of the staple industries of the previous century (albeit, Northern Ireland had a peculiar mix of farming-linen-shipbuilding). Additionally, as we will argue below when considering the reasons why Isles and Cuthbert received such a negative political response, Northern Ireland's old industries were very much interconnected with the government structures.

Income per capita in the Republic of Ireland was even lower
Admittedly, this is less apparent in terms of the income per head figures presented in Whitaker (Clark's comparison of income per head in $ in PPP in the late 1940s) alongside Isles and Cuthbert's comparison of Northern Ireland and GB in terms of civilian income per head. These data suggest Republic of Ireland/UK was about 70% and Northern Ireland/GB in 1948 was about 72%.

Subsequent commentators, however, suggest that in the early 1950s GDP person was substantially higher in Northern Ireland compared to Ireland: Kennedy, Giblin and McHugh (1988) and Geary and Stark (2019). In fact, according to Geary and Stark, in terms of GDP per person (purchasing power parities) the Republic of Ireland level of a percentage of that in Northern Ireland declined from 79% in 1938 to 67% in 1951 and 66% in 1961. Relatively accurate national accounts type data to compare Northern Ireland and the Republic of Ireland had not yet become available in the 1950s. There is, however, some evidence that the authorities in Belfast did perceive that GDP per head in Northern Ireland was much higher (Barrit and Carter, 1982). As we will argue below, this could partly explain why as compared to their Southern counterparts they were inclined to regard the economic status quo as acceptable.

Was it also the case that Northern Ireland's membership of the UK was acting to boost relative living standards and hence encourage policy makers to be content with the economic status quo? Northern Ireland's status as a region within the UK probably did help to maintain levels of income per head at levels higher than those in the independent country Republic of Ireland: although certainly not to the scale which would become the case in the 1970s, 1980s and 1990s. In fact, it was in 1955 that the level of public spending per capita caught up with and began to overtake GB (Jordan, 2019). Commentators at the time debated whether Northern Ireland remained a net fiscal contributor to the UK exchequer (Wilson, 1955; The Economist, 6 October 1956). If there was a net transfer from the UK government to Northern Ireland it would have been small in absolute terms or relative to the size of regional GDP.[5] The extent to which this fiscal transfer may have encouraged the Stormont government to ignore Isles and Cuthbert may therefore have been limited.

Republic of Ireland had a relatively more acute problem in terms of out-migration
Migration was a concern in both strategies but the nature of that concern was radically different. The migration problem was probably more pressing in the case of the Republic of Ireland. One of Whitaker's main concerns was a downward spiral consisting of low rates of economic growth linked to very substantial net out-migration. Net out-migration in the 1950s, at about 40,000 p.a., had doubled compared to the 1930s level.

In contrast, policy makers in Northern Ireland displayed some concern as to potential in-migration: a perception that workers coming in from either GB or the Republic of Ireland might pre-empt employment opportunities for Northern Ireland based people. Hence, the introduction of a work permit scheme in the late 1940s.

As in the case of income per head levels, the migration situation was more immediately serious for the Republic of Ireland and that may have encouraged policy makers to consider radical action.

The professional experience of the two sets of authors
Isles and Cuthbert were university economists and much of their research was conducted within the Queen's University Belfast. This included a detailed study of trends and outlook of the linen sector by W. Black (p.v and p.79). It is not clear how much assistance was given by government departments. They did draw a bit on case study information provided by individual (anonymised) industrialists and trade unionists (p.vi). The production of the report appears to have been relatively slow. It certainly was when compared to all of the later reviews of the Northern Ireland economy. Isles and Cuthbert took about seven years to complete (publication was then held back for a further two years).

Whitaker, in contrast, was a civil servant. He would come to be regarded as one of the pre-eminent mandarins to operate within the Irish administrative system. He was from 1956 Secretary (the head civil servant) Department of Finance. Foster (1988) describes him as "the most brilliant and influential civil servant of this generation".

Chambers (2016) describes the production of the report as being voluntary, initially without a Ministerial direction, and done outside of and over and above normal administrative responsibilities. This is how the Foreword to *Economic Development* put it, "…prepared by the Secretary of the Department of Finance, with the cooperation of others in, or connected with, the public services" (listing the various Secretaries and senior officials, p.8). The framework of the document was written within six months and the first draft was ready within a year. Everything proceeded on a much quicker time scale than for Isles and Cuthbert.

[5] Or, indeed, once adjusted into constant prices. much smaller than the transfer/subsidy which has existed since, say, 1970. The Economist (6 October 1956) in fact implied any transfer from the UK exchequer was smaller than the transport cost disadvantage, about £10m to £12m annually, imposed on Northern Ireland given the necessity of moving goods across the Irish Sea.

Perhaps the broader lesson is this: if you want to promote deep-seated change in policy making get a senior civil servant, an insider, to push for such change. An outsider to the policy making process, such as an academic economist, is much less likely to have impact.

Whitaker contained more policy recommendations and Isles and Cuthbert's recommendations had no official sanction
At one level, the difference between the two documents in terms of extent of implementation is less than surprising. Isles and Cuthbert's remit, as set out in 1948 by the Minister of Commerce Sir Roland Nugent, excluded specific policy recommendations (p.v).

Notwithstanding this, they did make some policies recommendations. They considered whether there would be any scope for government to underwrite share issues, particularly conversion of family businesses into public companies (pp.196-9). They also argued that the 1947 Safeguarding of Employment Act could have acted as a deterrent for some potential inward investors who were concerned that there would be less scope to overcome any shortages in supply of skilled labour by bringing in staff - particularly from GB (p.303). They thought it was at least worth considering whether any monopoly power in terms of the Irish Sea shipping companies could be reduced by introducing a government owned ferry operator (pp.350-1).

In contrast, Whitaker's much wider remit explicitly included:

1. Deficiencies and potentialities in the economy.
2. How best to respond to both the areas of deficiency and potential.

Although its origins are in mid-1950s, as compared to Isles and Cuthbert's report Whitaker looks more like a "modern" policy document to the extent that it included:

1. A lot of very specific policy proposals, for example for training and management improvements especially in farming and food processing.
2. Costings of these.
3. An estimate, albeit tentative given that national accounting and economic forecasting were still in their infancy in 1958, of the impact on GNP, raising the trend growth rate from 1% to 2% (pp.224-5)

One overall summary point regarding differences between the two economies is that the Republic of Ireland is a sovereign country while Northern Ireland is a region of the UK. Government in the Republic of Ireland would have access to a wider range of policy levers (albeit, not including an independent monetary policy). That said, when we consider the factors reviewed in this section (the lower level of income per head and migration crisis in the Republic of Ireland) it is not clear this was a major explanation for the varying extents to which the strategies were implemented. However, a possible mechanism could be as follows: a strong value was placed on the Republic of Ireland's status as an independent, sovereign country. By the mid-1950s it had become obvious to Whitaker as well as some of the political leaders that the poor performance of the economy was a threat to that independence and so radical action was required.

5. HOW FAR DID THE STRATEGIES INFLUENCE POLICY AND OUTCOMES AND REASONS FOR THE CONTRAST

We have noted that notwithstanding similarities in context and content, the two strategies differed in various ways. Some of those differences, notably a lower starting income per head and a more problematic situation regarding migration probably made it relatively more likely that Whitaker would be implemented.

In this part we consider in more detail the differing outcomes of the two strategies: to what extent they were followed by an up-turn in economic performance and how far the strategies themselves were implemented. Also, a consideration of the reasons for such differences.

Extent of difference in economic outcomes
As Table 1 indicated, the two strategies followed a period (1938-50) during which Northern Ireland's economic growth performance had been substantially better than that of the Republic of Ireland. After 1950, however, growth rates in the two economies were much more similar although it would take some time before this was perceived to be the case.

Turning to the question of economic outcomes following the publication of the strategies, Republic of Ireland economic growth actually exceeded the target during the First Programme for Economic Expansion: the national economic plan which followed after the publication of *Economic Development* and covered the period 1958-63 (Mulreany, 2009b; Ruane, 2017).

Admittedly, total employment remained fairly flat during 1960s (see Table 2), though, the composition shifted away from agriculture (Ruane, 2009). Exports also picked up but only slowly. Out-migration declined after 1957 and reached rough balance with the number immigrants in early 1970s. It was only in the 1970s that Republic of Ireland employment growth clearly exceeded that in Northern Ireland.

Extent of influence on policy

Isles and Cuthbert had little influence on subsequent economic policy making in Northern Ireland. The Stormont government had no enthusiasm for the report and there is little evidence that policy was changed in any way to reflect the contents of Isles and Cuthbert. A series of further economic strategy reports followed in the 1960s and early 1970s. Many of these reiterated the themes contained in the 1957 book although usually with less detail. This might suggest that not much changed, or at least little changed quickly in terms of achieving better economic outcomes (Birnie and Hitchens, 2001).

In contrast, in the Republic of Ireland there was considerable read across from *Economic Development* to the subsequent policy document: The First Programme for Economic Expansion.[6] The latter, for example, adopted Whitaker's target whereby GNP growth would double from a previous trend rate of only 1%. The First Programme was published on 12 November 1958 and Whitaker on 22 November (Mulreany, 2009b). FitzGerald (2009) argued that it was both courageous and appropriate that the Irish government published both documents. Doing this obviously makes it much easier to demonstrate how far Whitaker had influenced policy.

Overall, Whitaker appears to have been much more successful from the point of view of how far policy was changed. By contrast, it looks like Isles and Cuthbert's review was consigned to oblivion.

Explanation of the varying influence of the two documents

According to Bew, Gibbon and Patterson (1996) the Stormont government took offence at Isles and Cuthbert's analysis, especially the criticism of management in the traditional sectors. The Report was submitted in June 1955 but only finally published 1957 (p. v). Isles and Cuthbert was not published as a Command Paper. That distinction implies the government was distancing itself from the contents of Isles and Cuthbert.

In fact, the development of industrial policy in Northern Ireland throughout the early phase of devolution, 1921 to early 1960s,[7] is an example of a too close connection between private business and government. A connection which harmed economic growth prospects. Two of the Ministers of Commerce in the 1950s had close links to traditional industries, and 12 of the 14 Stormont MPs for Belfast were proprietors/managing directors, largely in textiles. During 1921-45, 70% of Stormont's MPs were unionists and of these two-fifths had some sort of ownership or senior management interest in the textiles trade (Brownlow, 2013).

Given the close inter-penetration of the governing and business class, devolution in Northern Ireland tended to be associated with rent seeking alongside attempts by government to minimise creative destruction.[8] The owners and managers of Northern Ireland's staple industries such as linen and shipbuilding had sufficient political clout to ensure that government effort was skewed towards an attempt to keep those sectors in being. This attempt ultimately proved futile. Much less effort was devoted to growing new sectors. Evidence of this is provided by the pattern of grant and loan spending to promote industry. Relatively little was spent on promoting new firms or new sectors. Incumbents took the lions share (Jordan, 2019). Brownlow (2007) shows that half of the spending that was meant to promote new activity actually went to linen textiles.

[6] In a question and answer session at a conference in 2008 to mark the 50th anniversary of *Economic Development* Whitaker said that his fellow civil servant, and eventual successor as Secretary at the Department of Finance, Charles Murray was largely responsible for writing the *Programme* (Mulreany, 2009).

[7] The reason for a cut-off point around 1963 is that by that stage many of the levers of industrial policy were in fact being determined by the UK national government rather than at the devolved level.

[8] Rent seeking being the process whereby resources are used up as private businesses compete to get privileges from government. Creative destructive is the term associated with the economist Joseph Schumpeter whereby an essential, but often under-appreciated, characteristic of the market economy is that there must a constant turnover of businesses. Inefficient, older businesses together with their out-moded practices have to be allowed to go to the wall.

In the case of Whitaker, the relationship to Sean Lemass has been stressed, especially by Lee (1990). However, the Finance Minister who actually approved the completion of the Report and then received the final version was Jim Ryan. In a question and answer session in 2008 Whitaker attributed the lack of political opposition to *Economic Development* to the fact that "the three supreme politicians", defined by him as Taoiseach de Valera, Lemass and Ryan, had already accepted that a fundamental change in policy was necessary.[9] Stress on one or two individuals reflects a heroes view of history (Brownlow, 2015; Carlyle, 1841). Such approaches do leave open the question of who was the leader: the civil servant or the politician?[10] There is also the question of how early on did Lemass begin to shift away from protectionism towards free trade: see Whitaker (2009).

Another way of describing the situation would be to say that "events", the stagnation of Irish economic growth in the mid-1950s together with the likelihood that global and European trade liberalisation was coming, gave policy makers an opportunity to overcome vested interests (Barry, 2009). Note that we are not considering here the separate but important question of how far continuing protectionism in the Republic of Ireland in the 1950s and 1960s reflected experience elsewhere in Europe or was the Republic of Ireland an outlier by maintaining such policies for an unusually long period (O'Rourke, 2017). It would probably be going too far to say that "extractive institutions" were being replaced by "inclusive institutions",[11] to use the terms in Acemoglu and Robinson (2012), but the 1950s did see a new elite move to the fore in Irish economic policy making. At least for a while, the impact of that new elite would be favourable to economic growth (Brownlow, 2015).

Isles and Cuthbert faced a much less favourable political environment than Whitaker. This was largely because given the performance of the Republic of Ireland economy in the early 1950s there was much less scope in the Republic to be complacent about the status quo. In Northern Ireland it was possible to make comparisons with what was happening south of the Irish Border to support the conclusion that the Northern Ireland economy was performing satisfactorily. During the 1958 general election to the Stormont Parliament, the Ulster Unionist Party made the following statement about the Republic of Ireland economy, "…[it] can only keep going as it is with the aid of emigration on a massive scale, high tariffs and remittances, in spite of which, its unemployment problem is severe".[12]

6. CONCLUSIONS

Isles and Cuthbert certainly provided a comprehensive analysis. That analysis anticipated many of the points which would be made again in the later reviews which appeared during the 1960s-2020s. Nevertheless, that strategy was left on the shelf of policy documents and it was then forgotten. The very fact that later Northern Ireland policy documents such as the Quigley Report (1976) or DED (1990) would somewhat reinvent the wheel is suggestive. The original wheelwright was forgotten or underrated (Birnie and Hitchens, 1999).

"History", at least the judgement of historians, has been a lot kinder to Whitaker than to Isles and Cuthbert. The former being described as a "watershed" (Lyons, 1973), a "genesis moment" (Fanning, 1990) and a "turning point" (Mulreany, 2009a). As such, it has been given credit both for the immediate upswing in Republic of Ireland macro performance which happened at the end of the 1950s and into the 1960s, and has even been seen as some sort of anticipation of the much later "Celtic Tiger" phenomenon. Some of this assessment may be overly generous (Brownlow, 2010) though Whitaker may have yielded unintended positive consequences through promoting supply side improvements.

It may be that *Economic Development* was successful in changing the way that policy making was done, a partial shift away from ideology-based policy towards evidence-based policy making (Ruane, 2009). "To the extent that the report succeeded, therefore, it probably did so through the quality of the analysis based on sound knowledge of the Irish and economy of the 1950s" (Hare, 2009).

Although the two strategies, North and South, overlapped in terms of timing there is little or no evidence of cross-fertilisation between the two.[13] The two policy documents were developed back-to-back and largely ignored what was happening in the other jurisdiction.

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[9] At a conference about the 50th anniversary of the Report: Mulreany (2009a).
[10] On one occasion when Lemass was in hospital he tasked Whitaker with bringing him some reading. He brought some books about economics (Mulreany, 2009a).
[11] The former being institutions which encourage rent seeking and hence act as something of a brake on economic growth.
[12] Quoted in the Belfast newspaper the Newsletter: Barrit and Carter (1982).
[13] Although the then Northern Ireland-based economist Charles Carter was probably exercising some influence on the development of Whitaker's thinking.

Isles and Cuthbert said little about Northern Ireland-Republic of Ireland economic relationships but did outline one possible negative implication of the relationship and one potential threat. The negative aspect (pp.176-7) was the claim that "agitation for cessation"[14] to the Republic of Ireland was increasing the uncertainty regarding Northern Ireland as an investment location. They quoted the higher yields on some shares relating to companies in Northern Ireland, as compared to GB, as evidence of a risk premium. By implication, investment in Northern Ireland would be reduced. The possible threat was a potential upsurge of migration from the Republic of Ireland to Northern Ireland (pulled by higher wages in Northern Ireland, p.240) which in Isles and Cuthbert's view could drive up unemployment in Northern Ireland.[15]

Whitaker mentioned the "Six Counties" of Northern Ireland only occasionally (p.17). Of the total of Republic of Ireland agricultural exports, 60% went to GB and 20% to Northern Ireland (p.69). In one sector, biscuits, where exports totalled £86,000 all bar £2,000 of these were sold to Northern Ireland (p.167). Similarly, half of Republic of Ireland whiskey exports in 1957 went to Northern Ireland (p.170). There could be scope to increase that and also increase exports of turf (p. 176). In 1957 there was a considerable over capacity in the electricity generation sector, Whitaker said there was scope to build a cross-border power line to enable sales of electricity into Northern Ireland (p.183). Interestingly, in the case of shipbuilding there was no mention of the possibility of North-South trade and co-operation. This was despite the fact that Whitaker hinted at developing a world-leading ship repair sector based around the enormous dock at Haulbowline Dock in county Cork (pp.188-190).

Arguably, Whitaker's greatest service to both Northern Ireland and the Republic of Ireland was yet to come: his contribution to stabilising North-South relations a decade after *Economic Development*. Not only encouraging the two Prime Ministers, Lemass and Terence O'Neill, to meet in 1965 but even more so the calming influence he exercised on Jack Lynch at the start of the Troubles (Whitaker, 1968).

In terms of his 1950s economic strategy, paradoxically Whitaker had the advantage that the Republic of Ireland economic context was so patently dark that there was widespread acceptance that something radical had to be done. In a letter to the Finance Minister Whitaker referred to a "mood of despondency" (16 December 1957). In 1950s Northern Ireland there was still room to be complacent. Whitaker had gone so far as to deploy the following rhetorical argument: in the absence of policy changes leading to marked economic improvement, "it would be better to make an immediate move towards reincorporation into the UK" (Whitaker's memo to Finance Minister Ryan in early 1957; Fanning (2009)).

More than 60 years later, Isles and Cuthbert has become a footnote to Northern Ireland economic history. That position is undeserved but it is the reality. In the 2020s Whitaker is still being lauded. This contrast exists notwithstanding the many similarities which existed between the two strategy documents.

ANNEX: DETAILED CONSIDERATION OF THE SIMILARITIES BETWEEN THE TWO STRATEGIES

Low levels of income per head

Both Irish economies were characterised by comparatively low levels of income per person. Isles and Cuthbert noted that in the case of Northern Ireland: "From a study of aggregate income it will emerge that the average per head is much lower than in Great Britain (GB)" (p.5).

Total civilian income per head in Northern Ireland as a percentage of GB was 55.1% in 1938, 65.1% in 1945, 67.1% in 1947, 71.6% in 1948 and 67.9% in 1951.[16] Whilst some convergence between the Northern Ireland and GB levels had occurred this had been limited mostly to the Second World War period and since the late 1940s the level in Northern Ireland had begun to fall further behind that in GB.

Whitaker made wider comparisons in the case of the Republic of Ireland such as to the US, Canada and New Zealand and also to the small European countries such as the Netherlands, Switzerland and Denmark (p.10 and p.52). Whitaker claimed that great efforts would be necessary to avoid "economic decadence" (p.2). Such

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[14] That is, Northern Ireland leaving the UK to become part of the Republic of Ireland.

[15] Admittedly, taking a more positive view of the North-South relationship, Isles and Cuthbert did point to the Irish Industrial Credit Corporation as a possible model of state underwriting to encourage small and family owned businesses to transform into public companies (p.46 and p.198, see Mulreany, 2009b).

[16] Total civilian income per head being the income available for private and public consumption and savings but excluding some items of spending by central and local government. This only approximates to more modern measures such gross domestic product and gross value added.

"decadence" was being evidenced by relative income per head in terms of purchasing power parity in the late 1940s: Republic of Ireland $445, Denmark $670, UK $ 631, Canada $831 and US $ 1053.[17]

Relatively high unemployment
It was in terms of the labour market that the economic weaknesses of Northern Ireland were most obvious. Comparing 1939 with 1923 there had been little increase in overall employment in Northern Ireland (p.29). Total employment fell during 1951-3 (p.32). Throughout the inter-War period and into the early 1950s (pp.26-7) the Northern Ireland unemployment rate was much higher than in GB. Northern Ireland usually had a higher unemployment rate than any GB region- though for a while in the early 1930s, Wales was higher (p. 29).

In Whitaker's summary of the position in the Republic of Ireland there was less attention to unemployment as such but a lot of concern about a possible downward spiral of low rates of economic growth allied to very substantial net out-migration. Net out-migration in the 1950s, at about 40,000 p.a., had doubled compared to the 1930s level.

How far the labour market operated well or failed
Both documents focused on the working of the labour market.

In Isles and Cuthbert the attention was on alleged imperfections or failure in that market. Whitaker did not use that sort of technical, economic language but argued that it was imperative that Republic of Ireland workers continue to accept relatively low wage levels.

Isles and Cuthbert argued that compared to the nineteenth century the Northern Ireland labour market had become much less flexible: mid-20th century wages were less flexible in a downwards direction (p.47, p.50, p.309). The wage level in Northern Ireland compared to GB could no longer fall sufficiently far to compensate for the locational disadvantages such as higher energy or transport costs. There was less than perfect labour mobility between Northern Ireland and GB. By implication, migration could not be relied on to eliminate unemployment differentials.

During 1939-51 average weekly wages in nominal terms rose by 110% in Northern Ireland compared to the UK average increase of 81% (p.214). During 1920s-51 the minimum rates negotiated by skilled trades were generally roughly equal to GB or slightly higher (pp.217-8). In cases where wages were set by Wage Councils, rates in Northern Ireland were generally lower than in GB though with a marked catch up for male workers (p.227).

In Whitaker there was much less consideration of labour market dynamics including wage setting relative to GB as compared to Isles and Cuthbert. At the same time, Whitaker did argue that productivity needed to increased relative to GB but until this happened workers in the Republic of Ireland would have to continue to accept wages which were lower than those in GB (p.209). Failure to do so would mean either high unemployment or out-migration.

Identification of a capital market problem
There were similarities as to how the two strategies dealt with the capital market.

Isles and Cuthbert argued that capital per worker would be relatively lower in Northern Ireland compared to GB. Ultimately, this situation was caused by locational cost disadvantages (higher transport and fuel costs) leading to a lower return on capital in Northern Ireland, and hence less investment and lower capital per head. The likely consequence was that Northern Ireland's capital/labour ratio would be so much lower than that in Great Britain that it would be unlikely that full employment could be achieved (here, the "imperfections" in labour market noted above come into play). Whereas, the strategic developmental nature of Whitaker was quite explicit, grow the economy through expanding external sales (particularly of food products), the Isles and Cuthbert's strategy was more implicit. Isles and Cuthbert was, in effect, an economic development strategy based on neoclassical economics: expand the economy through getting key markets – particularly those for capital and labour – to work more efficiently.

Isles and Cuthbert argued that savers in Northern Ireland were much more inclined to invest outside of Northern Ireland than outsiders were to invest in Northern Ireland. This implied a net a substantial net outflow of funds in terms of financing investment.

[17] Maddison (2003) provides a more up to date source for such comparisons but the Republic of Ireland's relative position remains essentially the same.

The reasons for this net outflow were attributed to a range of factors (mostly demand side) reducing investment in Northern Ireland:

1. A small regional economy implies a somewhat specialized/undiversified industrial base, hence, fewer opportunities to spread investments to minimize risks.
2. Fear that Northern Ireland was going to be incorporated into the Republic of Ireland meant that investors were requiring a risk premium on their investments in Northern Ireland.
3. Limited supply of entrepreneurs partly because the narrow sectoral base (linen and shipbuilding) did not encourage innovation. Conservative management attitudes may also have been linked to the prevalence of private as opposed to public companies (p.189). Also, partly as a legacy from the 1930s Depression, a tendency in the private firms to prioritise the maintaining of profit margins even if this limited sales expansion (p.189).
4. The Macmillan Committee (1931) claims regarding a finance for industry (especially small firm) supply gap were particularly applicable to Northern Ireland given pronounced peripherality from London where the capital markets were largely based. Investors in GB may have assumed that profitability was lower than it actually was (p.306) - which would lead to the supply of capital being less than it would otherwise have been (p.48). Isles and Cuthbert considered the fact that private firms (i.e. non-public companies) in Northern Ireland were larger in size than their counterparts in GB was indicative of some sort of imperfection in the capital market p.121).[18]

As Isles and Cuthbert had tried to do for Northern Ireland, Whitaker estimated annual savings in the Republic of Ireland during 1947-57 (p.33). Savings ratios were low by European standards (p.35). Capital accumulation in the Republic of Ireland was not rapid enough to permit a growth in output which would match the natural increase in the population. Hence, the scale of net out-migration in the 1950s (p.37) and if that out-migration had not occurred unemployment would have been even worse.

Whilst both strategies emphasised raising (or keeping) more capital within the region/country neither was very explicit about promoting flows of inward investment. This might seem ironic given how much attention inward investment (especially foreign direct investment) would receive in later decades but the amount of data about such flows (including in terms of investment from GB coming into Northern Ireland) was limited.

Isles and Cuthbert did argue that compared to another assisted region within the UK, Scotland, a policy of providing assistance to new businesses (through the Industrial Development Acts) had been less successful in terms of the rate of employment generation (p.391). In the Republic of Ireland, the policy of reducing taxation on company (export) profits to act as an incentive to investment began only a few years before Whitaker's report. Whitaker was concerned that attempts to subsidise the private sector would prove counter-productive. He feared that extra government spending led to higher taxes which in turn would crowd out investment by businesses (p.123, p.182).

Shared emphasis on selling beyond the island of Ireland

Neither document developed a formal theory of externally orientated economic development.[19] Nevertheless, they each implied that external earnings (including exports) needed to be increased. One reason for this being, given the small size of the home markets, it would often be the case that firms would have to export in order to raise output closer to the minimum efficient scale of production (Isles and Cuthbert, pp.88-89). Hence, the importance of export and external sales but these might be restrained by transport costs.

Isles and Cuthbert estimated exports were 50% of net output in Northern Ireland in 1935 but only 28% in GB (three-fifths of Northern Ireland exports being linen) (p.91). Using turnover or gross output, the export intensity was about one and a half times higher than that in GB (p.92). Isles and Cuthbert in their discussion of the relationship between exports and what they termed 'total civilian income' for the period 1935-52 noted the stability of the ratio before the war and then the post-war increase associated with the UK export drive and the 1949 devaluation of sterling. In their data the ratio of exports to income before 1939 varied between 0.59 and 0.67 and between 1945 and 1951 it climbed from 0.64 to 0.87 (pp.99-101). Of perhaps even more importance was Isles and Cuthbert's contention that it was external demand in sectors such as shipbuilding changes that drove income and employment rather than endogenous changes in the regional economy (pp.101-102). Total external sales

[18] Their argument being that in GB once businesses reached a certain scale they were much more likely to be converted into public companies.

[19] This is not surprising as most of the theories of export led growth came after the 1950s.

represented about 60-70% of gross output in Northern Ireland which was a greater proportion than in GB and Northern Ireland also had a greater level of such sales per capita (Jordan, 2019).[20]

Whitaker recognised the importance of trade when he argued that as a small country highly exposed to trade there would be little sense in establishing a rigid planning system in the Republic of Ireland (p.1).

Whitaker predicted that protection would have to be phased out "sooner or later" (p.2). That said, much of the emphasis in *Economic Development* was on the potential for industrial development through import substitution such as steel making.[21]

According to Whitaker resources in the Republic of Ireland, particularly public spending, were prioritised towards investments which led to export revenues as opposed to spending on welfare benefits which sustained consumption only in short run (p.3). Whitaker had anticipated these arguments in his 1956 article in the *Journal of the Statistical and Social Inquiry Society of Ireland* (Whitaker, 1955-56).

Whitaker recognised that total exports in the mid-1950s were still relatively low (p.154): in 1957 the exports of all manufactured goods (even including some food processing) were still relatively small with 57% of all exports being farming products.

Common emphasis on agriculture as one of the main sectors
Both strategies reflected a position where agriculture and food processing together represented the largest economic sector.

Isles and Cuthbert stated that Northern Ireland was still primarily an agricultural community with small family farms (p.53). They noted that the post-Second World War opportunity to develop more food processing industries in Northern Ireland was being missed – export of live cattle to GB continued at a substantial level (p.397).

Agriculture continued to have a great sectoral significance in the case of the 1950s Republic of Ireland even compared to its northern neighbour: 29% of the Republic's total output (compared to 25% represented by all the industrial sectors combined). Table 4 shows the very high share of total Republic of Ireland employment in agriculture: even in 1960 still close to two-fifths.

Of Whitaker's 249 pages, 90 relate to farming (and some more were devoted to food processing) – ten of the 24 chapters. As Mulreany (2009b) noted, the modern reader might be surprised how much emphasis there was on producing and processing food.

Whitaker emphasised that it was not the case that Republic of Ireland farm holdings were smaller than those in some of the Continental countries (p.55). However, output per worker was about 50% higher in some of the most successful European countries (p.58). Use of fertilisers was relatively low (pp.65-6). Isles and Cuthbert implied that farming in Northern Ireland was relatively under-equipped and they identified that the labour/acre ratio in Northern Ireland may have been about 40% higher than in GB (p.57).

Emphasis on competitiveness
The documents shared an emphasis on competitiveness but expressed this in different ways.

For Isles and Cuthbert locational cost disadvantages led to employment rates lower than GB and a narrower (and disadvantageous) industrial structure (pp.5-6). Northern Ireland was therefore biased towards either sheltered trades or those where transport costs as a percentage of value of product were low (p.346).

Isles and Cuthbert thought the consequent narrowness of the industrial structure in Northern Ireland was evidenced by relatively low levels of productivity. For the total of manufacturing and other production industries average net output per head as % of UK average was: 72% 1924, 66% 1930, 66% 1935 and 73% 1949 (p.267).

Isles and Cuthbert demonstrated that a large share of the productivity gap relative to GB was structural/sectoral, caused by a greater representation of sectors which in general had low productivity levels: in 1935 across 37

[20] And a higher proportion than in recent years. In 2020 total external sales (i.e. exports plus sales to GB) amounted to £21.2bn compared to total sales from the Northern Ireland economy of £67.1bn, an external sales ratio of 31.6%. (NISRA, 2021)
[21] Theories of important substitution were being developed in Latin America in the 1950s although Hirschman's critique would come later (1968).

trades, if Northern Ireland's industrial structure had been the same as the UK's but holding productivity levels in each of the trades then the Northern Ireland average would have risen from 60.3% of the UK to 82.2% (p.273). However, repeating this exercise for 1949 produced an increase from 71.7% to 77.3% (admittedly, using a different classification of sectors).

Capital/labour ratios were likely to be lower than in GB. Isles and Cuthbert thought this outcome very likely because income per head levels were lower than GB and there was no evidence that the savings ratio was higher (p.169). The available evidence strongly suggested a net outflow of investment funds from Northern Ireland to GB (p.163).

Isles and Cuthbert were critical of the management practices of family run businesses (pp.116-7). They also noted that businesses in Northern Ireland were relatively small: in 1949, in all but 6 of 35 trades considered establishments (factories, production units) were smaller than the UK average.

They thought a cautious approach to business strategies may have been established during the Great Depression and its aftermath – one of trying to maintain profit margins at all costs even if there was penalty in terms of restricting sales growth (p.189). A rather conservative management approach was common (p.189), "…accentuated by a general lack of education in modern business techniques: many business men in NI have the typically conservative attitude of a farming community to which they are still in close affinity".[22]

Whilst critical of management, Isles and Cuthbert gave a fairly clean bill of health in terms of work attitudes and flexibility. They had surveyed employers with experience of both Northern Ireland and GB: the response was that once Northern Ireland workers received adequate training they were just as efficient and industrious as their counterparts in GB (p.17, pp.287-8), though strike rates were relatively high in the early 1930s and Second World War. Given the narrow industrial base Northern Ireland workers were probably going to get less training and experience and training than their GB counterparts (p.359). The unskilled/skilled ratio in Northern Ireland remained higher than in GB (p.360).

Whitaker was clear that the status quo was not an option: the Republic of Ireland was less competitive than either GB or many parts of Western Europe and this position had been managed by continued high levels of protectionism together with a high level of net out-migration (p.2). Productivity levels were considerably lower than in GB in most manufacturing sectors (p.13).

The problem was only in part one of a lack of capital but also one of a lack of ideas to provide opportunities for fresh, productive investment (p.7). As Crafts (2009) interpreted it, Whitaker was confronting a situation where Republic of Ireland economic growth was constrained both by slow growth of capital stock and total factor productivity.

Whitaker was relatively market-orientated rather than statist (less statist than much of the subsequent thinking on Irish economic development policy in the 1960s and 1970s, notably, in the *Second* and *Third Programmes* for economic development). Whitaker stressed the need to keep taxes down but profits up (Brownlow, 2010). Taxes were described as one of the "greatest impediments" to growth (p.7 and 21).

Economic Development included a lot of emphasis on education though the focus was largely restricted to agriculture/rural (p.116). Whitaker also expressed approval for the work of the Irish Management Institute in terms of improving the quality of management (p.164).

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[22] Later research (DETI et al, 2009) similarly found a weakness in terms of management in Northern Ireland (and also in the Republic of Ireland), especially in terms of a lesser use of management techniques as compared to management in other global economies (and this shortfall was most pronounced in small and medium sized firms, and those under local or family ownership and control). At the same time, this issue of management quality has received very little attention across the range of reviews of the Northern Ireland economy between the 1960s and 2010s (Birnie and Hitchens, 2001).

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FIRST VOTE OF THANKS PROPOSED BY CIARÁN CASEY, UNIVERSITY OF LIMERICK

I would like to thank the authors for a very interesting paper. '*Economic Development*' is the plan I am much more familiar with and on which I will focus my comments. The increased academic readiness to critique the paper in recent years has been very welcome. For decades, Irish academics were remarkably slow to engage with the actual text of *Economic Development*. Such was its reputation, that myself and several others I have spoken to, initially wondered if we were reading the wrong document.

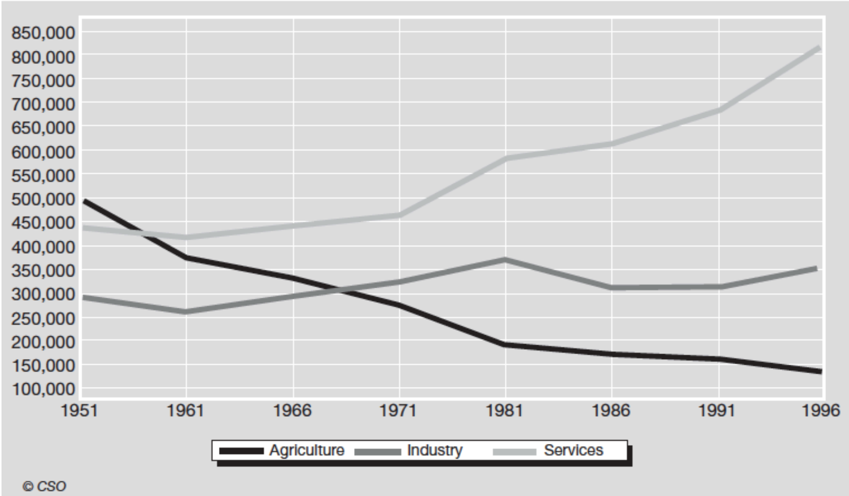
Esmond and Graham provide valuable context with the agricultural employment shares in British regions and Ireland in 1938, 1950 and 1960. Agricultural employment was falling everywhere in Western Europe, but the impact of this was directly commensurate with its initial share. In the seven decades from 1926, The Republic of Ireland lost well over half a million agricultural jobs.

Figure 1: Employment in Irish Agriculture (CSO)

The authors rightly note that the core focus of *Economic Development* was 'primarily on raising the efficiency and volume of production in agriculture and in industries based on agriculture'.[1] Figure 2 demonstrates that employment in the sector continued to fall inexorably, while almost all the jobs growth over the rest of the century came from services, to which *Economic Development* devoted just thirteen pages.

[1] Department of Finance, *Economic Development*, 20.

Figure 2: Irish Employment by Sector (CSO)



As the authors observe, the Whitaker plan fleetingly acknowledged that free trade would inevitably come sooner or later. As I have argued elsewhere, this was almost certainly deliberate. Whitaker was evangelical about trade liberalisation, which he pursued doggedly throughout the 1960s. Political sensitivities, however, precluded a frontal assault.

Perhaps the best source on Irish industry in the period is the Committee on Industrial Organisation. Its interim report in 1962 gave a sobering insight into the state of Irish manufacturing firms. The Committee warned that, without urgent action, few would survive the transition to free trade. It outlined a litany of problems, including small firms, a lack of vertical integration, short production runs, high unit wage costs, inadequate mechanisation, underutilised production capacity, poor design of Irish goods, a lack of international marketing capacity, and cut-throat competition between Irish firms in export markets.[2] ‘’ did little to address most of these, especially design and marketing.

The authors make the important observation that Ireland had some of the advantages of a late starter. This is only of value, however, if a country is receptive to lessons from outside. As Frank Barry has observed in the past, the Stacey May report pointed Ireland to the example of Puerto Rico, which had successfully used a low corporate tax rate within a large trading block to attract US investment. Contrary to the accepted narrative, ‘*Economic Development*’ was not universally well-received on publication. The World Bank dismissed the entire thrust of the strategy out-of-hand, and again pointed Whitaker to the Puerto Rico example. Again, the model was ignored.

Much of the contemporary and retrospective acclaim enjoyed by ‘*Economic Development*’ rests on its coincidence with the growth uptick of the 1960s. The legacy of this interpretation has been largely damaging. Far too little has been made of the fact that growth was already strong at the time of its publication, and in GNP terms actually fell back slightly afterwards. Ascribing short-term growth to a plan or strategy is almost always misguided: the structural changes take far longer to have any meaningful effect. Unfortunately, misperceptions about the goals and track record of economic planning disheartened the Department of Finance in the 1970s. Planning of all hues was abandoned on the basis that the global economy had become too unpredictable to set growth targets. This had serious implications in terms of fostering indigenous industries, spatial planning, and infrastructure provision, the consequences of which are very much still with us.

Esmond and Graham raise the important relationship between civil servants and Ministers. A key consideration from a planning perspective, is the length of terms in office. Ministers for Finance served an average of just under three years, less than half the terms enjoyed by Secretaries. Such short terms militate against long-term planning, both in terms of incentives and bandwidth. Even the most capable Minister will need an extended period to settle into the job. This suggests that much of the long-term perspective will need to come from officials. The best contribution a Minister might make is to start the planning process, without much confidence of being in office to see its fruits.

Another issue the authors raise is the political receptiveness to *Economic Development* in the context of bleak 1950s. There is widespread recognition that policy shifts are often easier at a time of crisis. In some respects,

[2] Ciarán Casey, *The Irish Department of Finance, 1959-1999* (Dublin: Institute of Public Administration, 2022).

Ireland did make use of the Great Recession, especially cutting through the thicket of tax breaks that fatally undermined the yield. But there were major lessons not learned, which have either already come back to haunt us or threaten to in the future. The first is the patent inability of the construction industry to provide anything like a steady and adequate supply on its own. There are great models to follow here both internationally and in our own recent past, and our reluctance to draw on them is a puzzle. The second, is the overreliance on one sector, both for the Exchequer and direct and indirect employment. One of the longer-term consequences of the Great Recession is that it further deepened and extended our dependency on foreign investment.

Most people who are aware of its existence still consider *Economic Development* to be vitally important, the economic blueprint for modern Ireland. More robust and empirical analysis is very welcome, and Graham and Esmond have contributed significantly in that regard.

SECOND VOTE OF THANKS PROPOSED BY FRANK BARRY, UNIVERSITY COLLEGE DUBLIN

I first heard of the Isles & Cuthbert report perhaps 20 years ago, when Graham happened to mention it to me. I knew of its long gestation. The significance of its eventually appearing in print so close to the publication date of the Whitaker report had never struck me. It is baffling in hindsight that it has taken more than 60 years for this analysis to be conducted. The authors are to be commended for their fascinating comparison of the context, content and consequences (or, more appropriately perhaps, the aftermath) of the two documents. As an aside, it strikes me that a similarly valuable comparison could be made of the US consultancy reports of the period that looked at the potential attractiveness of the two jurisdictions to US FDI.

The Whitaker report has been widely lauded as 'transformational' while the Isles & Cuthbert document is deemed to have had little or no effect. My main comment has to do with what is generally regarded as the 'success' of the Whitaker report. This typically focuses on the dismantling of trade barriers that followed. Analysis of trade liberalisation however requires that careful attention be paid to the constellation of competing interests involved in the process. The analysis of Northern Ireland points to the powerful embedded interests which prevented change from occurring. What was different in the case of the Republic? On the issue of content, I have one point to add, which is to suggest that Whitaker largely embodied what had been Department of Finance orthodoxy since the establishment of the state.

Whitaker's macroeconomic views are presented more clearly in his address to the Statistical and Social Inquiry Society in 1956, just days before his appointment as Secretary of the Department, while his thinking on outward-reorientation is shown to best effect in the civil service debates of 1959-1960 that he later collected and published under the title *Protection or Free Trade – The Final Battle*. (Whitaker 1955/6; Whitaker 2006).

The present paper makes only the briefest of references to Keynesianism, with which Whitaker is often associated in the public mind. As Graham has made clear in previous work, Whitaker was no Keynesian. His 1956 address warned of the adverse balance-of-payment consequences of expansionary fiscal spending directed towards goals other than raising productivity. For an economy of Ireland's size, as he pointed out, much of the hoped-for stimulus effect would be lost through increased imports. These warnings were reiterated in *Economic Development*. (*Economic Development* 1958, pp.4, 16, 206).

His 'neoclassical' focus on cost competitiveness echoed the concerns expressed by his predecessor, J. J. McElligott, in his discussion of the likely consequences of protectionism with Finance Minister Ernest Blythe in the 1920s. (Devlin and Barry 2019). Whitaker understood that competitiveness would be crucial to protectionist-era industry's prospects for survival under free trade. *Economic Development* called for the rate of increase in wages and salaries to be maintained below UK levels. (*Economic Development* 1958, pp. 27, 209). It also called for a reduction in the burden of direct taxation, and for public investment to be shifted from social to productive areas. (Barry 2009). Finance orthodoxy on international trade, and indeed the Treasury orthodoxy from which it derived, did not, I believe, require a 'formal theory of externally orientated economic development': it was based on an understanding and acceptance of the logic of comparative advantage.

While *Economic Development* can be seen as a restatement of Finance orthodoxy, Whitaker differed from his predecessors in his political astuteness. His warning of the possible imminent failure of the independence project was designed to shatter any remaining complacency within policymaking circles.

The heightened political competition of the era made it less likely that proposals for a change in policy direction would fall on deaf ears. Following 16 years in office, Fianna Fáil was unseated in the 1948 general election. Each of the next three general elections over the years to 1957 led to a further change in government. Lemass would later admit that 'it was not until our second period in opposition that we really got down to… preparing our minds for a comprehensive approach to the post-war economic problems of the country'. (Bew and Patterson 1982, p. 86). Policymakers of all political parties inched each other towards the new export-oriented foreign direct investment (FDI) strategy. The Industrial Development Authority was established by the first Inter-Party government in 1949; Ireland's low corporation-tax regime originated with the measures introduced by the second in 1956. The Shannon export processing zone of the late 1950s might be seen as Fianna Fáil's response to the latter initiative.

Given that electoral competition generated an openness to change, the Whitaker report provided useful 'political cover'. As Garret FitzGerald noted, its publication within weeks of the government White Paper indicated that 'the Programme was not, and was not claimed to be, a policy prepared by the government party, but was a national programme, prepared by the head of the civil service'. (FitzGerald 1968, p. 26). Lemass defended protectionism as having secured 'a basis of industrial organization [and] a pool of managerial competence and industrial skill', but accepted that 'there is a need now to raise our targets and, I believe, also to change our methods'. (Meenan 1970, p. 144).

Outward reorientation required more than just careful stage management however. Esmond and Graham appear to largely accept the 'force of ideas' argument that 'policy-makers had simply been slow to learn that [the protectionist policy] was mistaken'. (Ó Gráda and O'Rourke 1996, p. 414). This ignores the potential veto power of existing industrial interests. The Department of Industry & Commerce believed that up to two-thirds of the country's manufacturing jobs could be lost if trade barriers were dismantled completely. (Whitaker 2006). There is no guarantee that reforms will be implemented just because circumstances are dire. Ireland could have ended up a failed state.

The first unilateral Irish tariff reductions took place in 1963, five years after the publication of the Whitaker report. Trade liberalisation occurred when it did because of the UK's surprise decision to submit an application for EEC membership in 1961. This could not have been envisaged back in 1958. Ireland had scrambled to prepare an application when it became clear that the UK was to do so. Mary Daly posits that the 1938 Anglo-Irish Trade Agreement that ended the economic war established a new equilibrium that balanced the interests of export-oriented agriculture and protectionist-era industry. (Daly 1992, p.169). The prospect of EEC membership disrupted this equilibrium and set the interests of the two groups in direct opposition to each other. Agriculture would prove the more powerful of the two.

It is often forgotten, furthermore, how much of Whitaker's policy advice was *not* implemented. Lemass's macroeconomic policies were arguably influenced more by his desire to maintain the support of the trade union movement than by *Economic Development*. (Girvin 1994).

Manufacturing-sector wages increased far more rapidly than in the UK over the period 1960-1972. Direct taxes also increased, and the shift in public investment from social to productive areas was very short-lived. (Barry 2009). Where Whitaker *did have* a significant and under-acknowledged effect was in the area of education. Though it received little attention in *Economic Development*, it formed an important component of the supply-side strategy he mapped out in his 1956 paper. The origins of the transformative *Investment in Education* report of 1965 lay in a suggestion made at a conference in Washington in 1961 that the OECD examine a number of educational systems in their entirety. Ireland was the first country to volunteer to be surveyed, and Whitaker was instrumental in shepherding the potentially controversial proposal through the Irish administrative system. (Walsh 2009, pp. 64-65). He also chaired the corporatist National Industrial Economic Council whose 1964 report on Manpower Policy alluded to the concept known as 'the ladder of comparative advantage': as the average level of skills and technical competence rises, 'the range of economic activity which can be carried on efficiently in Ireland will grow and the pace of economic development will be accelerated'. (NIEC 1964, p.19). This was the background to Donogh O'Malley's announcement of 'free education' in his first major speech as Education Minister in September 1966.

The contrast that Esmond and Graham draw between the two jurisdictions on the island of Ireland focuses largely on the 'inter-penetration of the governing and business class' in the North. The Republic was also vulnerable in this respect, though politicians generally may have been less directly involved in business. Protectionism, it has been noted, enhances the 'discretionary interventions, patronage resources and rent-seeking opportunities for politicians in electoral democracies'. (Waterbury 1999). Cormac Ó Gráda observes that the tariff regime in the South created 'a role for the politician as broker'; Mary Daly notes that alternative systems 'would have deprived the government party of potentially beneficial political support'; Tom Garvin surmises that, under the Lemass regime 'a lot of well-connected people became rich'. (Devlin and Barry 2019). While the power of the protectionist-era industrial lobby was progressively eroded by the expansion of new export-oriented FDI, this new process could also be exploited for electoral purposes (which helps to explain why Whitaker's 'concentrationist' position on industrial location was rejected). (Daly 2016, p. 23).

The Whitaker report was only one factor in Ireland's dismantling of protectionism. Of arguably greater significance was that EEC membership required that protectionist-era industry be jettisoned. In Northern Ireland, by contrast, the tug-of-war was between embedded and merely latent or potential new interests. To the extent to which ideas rather than interests were part of the mix, the openness of the South to new policy ideas was stimulated by the intense electoral competition of the period. Northern Ireland cannot but have suffered from having a single political party in power from the establishment of the state to the proroguing of Stormont in 1972.

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DISCUSSION

Alison Hearne: As discussed, *Economic Development* originated from within the Department of Finance. Therefore, it had a greater chance of being accepted by relevant policy makers then in the case of the Cuthbert and Isles Report, which was authored by non-government officials. However, in Northern Ireland, even official government reports faced challenges in terms of their acceptance and implementation by Government (specifically the First (1952), Second (1955) and Third (also referred to as the Hall Report) (1962) reports on the NI economy). These reports, jointly authored by Stormont and Whitehall officials faced criticism from within the system and failed to make a significant impact (see Birnie & Hitchens 2001 paper '*Chasing the wind: half a century of economic strategy documents in Northern Ireland'*).

As noted today, both the Isles and Cuthbert Report and *Economic Development* lack meaningful cross border comparisons. Subsequently, and particularly post 1960, the minutes of meetings which took place by the authors of the subsequent Hall Report (1962) refer to the Southern economy in general and to *Economic Development* in particular, although this was not necessarily explicitly in the final Hall report.